The Accountant

THE RECOGNIZED WEEKLY ORGAN FOR CHARTERED ACCOUNTANTS
AND ACCOUNTANCY THROUGHOUT THE WORLD

GENERAL INDEX

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THE

ACCOUNTANT

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JULY 4TH, 1959 VOL. CXLI. NO. 4411

French Tax Reform

NO-ONE could accuse the French Government of complacency about the French tax system. The report of a study group set up by the Finance Minister last February and now published recalls a number of official enquiries on this topic since 1952. The study group, headed by M. BRASART, seems to have got through a formidable amount of work in a remarkably short space of time in sharp contrast to the leisurely progress of our own committees and Royal Commissions. And already the French Government has approved the proposals.

Having first examined the reports of predecessors, considered comparative taxation in the common market area, and studied the tax system of Great Britain, the report refers to oral and written evidence from interested bodies and persons. The group examined about a hundred memoranda on the subject and took the advice of the director-general of taxation and of the director-general of customs. Thus furnished, the group proceeded to consider whether it was possible and opportune to make a radical reform in the fiscal system, particularly in the direction of the drastic simplification urged by some witnesses. Finally, without wishing to deal closely with technical aspects which are the concern of the administration, the group put forward for Government consideration various recommendations designed to meet the requirements of justice and simplicity and to encourage economic expansion.

Perhaps the most remarkable fact emerging from the report, at any rate for an Englishman, is the extent of direct taxation. Readers of *Garde à vous Fisc!*, which was reviewed in our issue of March 22nd, 1958, might be pardoned for assuming that no Frenchman ever paid his proper direct taxes, assuming he paid any at all. In fact, direct taxation accounts for about forty per cent of the total collection. This is on the basis of treating the tax on wages and salaries, paid by employers, as a direct tax, although it is not deductible from the wages and salaries. The total product of the two income taxes imposed on individuals rose from F.568,000 million in 1957 to F.911,000 million in 1959. The report concludes this statistical study by observing that the total taxation equals something like one-third of the total national income and adds that this is enough to explain the extreme sensibility of public opinion in France on all proposals to change the tax law.

The report discusses a suggestion that all existing taxation in France be replaced by a single tax on energy. In support of this it is argued that there will be very few points of collection, considerable ease in assessing the amount of energy produced, and practically no possibility of fraud; while the vast army of tax officials would be reduced almost to vanishing point. At the same time, foreign capital would be attracted to France in enormous quantities, lured by the complete absence of tax either on income or on capital. However, the study group emphatically rejected the suggestion. One telling criticism it made was that the tax would naturally increase the prices of all goods produced by energy, as well as the price of energy itself, so that individuals would be taxed not according to their ability to pay but acccording to their needs. Thus a man with a large family having to occupy a large house would pay much more than a bachelor who might be much richer in worldly goods. In other words, the tax would be highly regressive.

The group recognised that in France, as in England and in every other country where a high degree of civilisation has been reached, it is impossible to have a tax system which is at once simple and just; and Frenchmen are very much attached to the notion of justice.

Dilapidation Moneys

CAPITAL OR INCOME?

by CYRIL A. WILLIAMS, A.C.I.S.

THE law of trusts, based as it is, largely upon equitable principles, often presents a trustee with a practical problem which does not exactly fit the book. Whilst by those whose delight it is merely to theorize, such an issue may possibly be avoided by quoting two seemingly opposing cases, adding the advice, 'If I was acting for the life-tenant I would argue *this* way, and would support my argument with the decision in *A. v. B.;* on the other hand, if I was acting for the remainderman I would argue the *other* way, and support my argument with the case of *X. v. Y.*'.

Such theorizing is of little use to an executor or a trustee who must, in every case, find a solution to his problem which is satisfactory to all the beneficiaries concerned – or take it to Court and let the Court find a solution. The following paragraphs illustrate how a difference may be found – and, too, how a difference can fail to be discerned much as it would be welcomed.

Compensation

Under the Compensations (Defence) Act, 1939, (Section 2 (1) (*b*)), where a property is requisitioned by the authorities, the owner is entitled to compensation. In *Re Pomfret's Settlement* ([1951] 2 All E.R. 951), Mr Virgil Pomfret was the owner of such a house; actually he was the life-tenant of a trust created in 1935 by way of strict settlement, but Mr Justice Roxburgh who decided the case had no hesitation in agreeing that the life-tenant was the proper claimant for the compensation. The house in question was requisitioned by the military and rent was paid for it, but when that authority left, very considerable damage was found to have been done. Hence the claim for compensation which resulted in a sum of a little over £7,000 being received.

It does not seem that any of this money was spent in repairing the property, for a couple of years later the house was sold for £5,500. As his lordship aptly said it 'leaps to the eye' that the price would have been very much greater if the damage had not been done and, on this basis there is a lot to be said for the obvious argument that capital has suffered and therefore the £7,000 should go to capital to make restitution.

At common law a tenant for life is responsible to make good any damage to the property during his period of ownership and because of this he is said to be impeachable for waste. However, by the terms of the settlement, Mr Pomfret was expressed to be unimpeachable for waste.

In considering the effect of this point, the judge took the view that the waste had not been occasioned by the life-tenant, but rather by the military authorities who, by paying the compensation, had restored the *status quo* so that there was in fact no waste at all.

Earlier Decisions

Such commonsense views did not find their way into the final judgment for two earlier decisions were found to be binding on the Court, and these were to lead to the opposite conclusion.

Firstly, in *Re Williams' Settlement* ([1922] 2 Ch. 750), an identical situation had arisen and in arriving at the conclusion that the life-tenant was entitled to retain the compensation as a casual profit, the Court leaned heavily on an even older authority, *Re Barrington* (33 Ch.D. 523) dating from 1886.

It should be specially noted that in both *Pomfret*'s case and *Re Williams*, the settlements were each strict settlements – settled land, the life-tenants in each case were unimpeachable for waste, and the damage was occasioned by the military authorities in each instance. Consequently, with great reluctance, the Court found in favour of Mr Pomfret to the effect that he could keep the £7,000 as an item in the nature of a casual profit, i.e. as income.

Re Thompson – a Difference

Where the life-tenant is impeachable for waste, including cases where settled land is not included, it seems that different considerations apply. Let us take the case of *Re Thompson, deceased; Westminster Bank v. Thompson and Others* ([1948] 2 All E.R. 223; [1949] Ch. 1). In this case a leasehold property was requisitioned by the Ministry of Supply and on derequisition, compensation amounting to £400 became payable under Section 2 (1) (*b*) as in the case discussed above. The property was held on trust for sale, and the life-tenant was, as is customary, impeachable for waste (though not expressly so).

In this case Harman, J., (now L.J.) found that the compensation moneys were akin to dilapidation moneys and so should be treated as capital following *Re Pyke; Birnstingl v. Birnstingl* ([1912] 1 Ch. 770), and he expressly rejected the view that the amount received could be regarded as part of the annual produce, or income.

It will be seen that although this case was superficially the same as the *Pomfret* case, the decision is entirely opposed thereto. The difference between the facts of *Re Pomfret's Settlement* and those of *Re Thompson*, appears to be only the fact that in the latter case the life-tenant was impeachable for waste.

No Waste

There are, in law, two kinds of waste:

(1) *legal waste* which includes:
- (*a*) *voluntary waste*, e.g. waste resulting from a positive action, say, the improper cutting of timber; and
- (*b*) *permissive waste*, e.g. waste resulting from lack of action, say, allowing a property to deteriorate into disrepair.

(2) *equitable waste:* this means damage inflicted deliberately, say, the wanton destruction of an asset.

Roxburgh, J., in his judgment in *Re Pomfret* failed to find any of these elements, concluding that there was no waste. And, if there was no waste it is indeed difficult to see the reason for the two opposing decisions.

Effect on Dilapidation Moneys

The effect of these two cases is not limited to instances where moneys are received by way of compensation on requisitioning. The more usual case where a landlord receives a sum of money as compensation for dilapidations on expiry of a lease may be involved if the property concerned is included in a trust. If the dilapidations result from neglect for which the life-tenant is passively responsible it seems that the compensation is due to capital, following *Re Thompson* and also *Re Pyke*; but where this situation does not arise, let us say, where a property is let on full repairing lease but the tenant does not keep the property in full repair thus becoming responsible for the dilapidations claim, what then is the position? It is contended that in these circumstances, whether he is impeachable or unimpeachable, a tenant for life of settled land can base a claim to the dilapidation moneys on the decision in *Re Pomfret*. The argument being that the waste which has occurred results from the negligence of the lessee and not from any negligence by the tenant for life. Where no settled land is concerned the same argument might be used, but, in view of the decision in *Re Thompson* the remaindermen seem to have the stronger claim.

The Accounting World

UNITED STATES

Business Recovery Continues

IN a recent issue of *Survey of Current Business* an article written by the Office of Business Economics gives a very encouraging picture of industrial recovery in the U.S.A. This report confirms and extends the confident tone adopted in a similar article earlier this year, (reviewed in *The Accountant* of March 28th).

The article states that the upswing in business was extended in March, and national output in April was running at a level above the average for the first quarter of 1959, which was itself some 2½ per cent higher in volume than the last quarter of 1958. The gross national product in the January to March quarter is estimated to have reached an annual rate of $465 billion – an all-time record. The expansion so far achieved in 1959 reflects both a rise in consumer demand and a significant increase in business fixed investment.

As final demand has risen, manufacturers and distributors have found it necessary to rebuild their inventories from the low level they had reached after the 1958 liquidation. The rise in expenditure on plant and machinery, although not yet large, reflects a reversal in the downward movement which had lasted for more than a year. The improvement in business has led to an increase in orders received by manufacturers and new orders for manufactured goods have been running at a rate of over one-fifth higher than those of a year earlier. Sales of consumer durables have also risen in recent months to reach a new record. New building begun during March was much higher than a year earlier, and the only area of demand which has not so far recovered is in the field of exports. In January and February 1959, United States exports were 7 per cent below those of the corresponding period of 1958, which itself was below average. Imports, on the other hand, have remained high.

The latest unemployment figures, published after the article was written, show a reduction of three-

quarters of a million to three and a half millions, a fall of one and a half millions in the past twelve months.

Education in Management Accounting

THE American Accounting Association's committee on management accounting has reported after two years' study of the problems involved. It considers that the accountant is today far afield of the internal needs of management in many respects. The accounting profession needs to take stock, it says, making an inventory and appraisal of both internal and external accounting requirements. The committee believes that the future development of management accounting should take a twofold form: (1) accountants should investigate with greater care the management problems related to finance, production and distribution; (2) they should develop more appropriate techniques for the collection, analysis, interpretation and use of quantitative data for more efficient management planning and control. Finally, the committee thinks that re-evaluation of the accounting curricula and subject content of the C.P.A. examinations should place in proper perspective the needs of internal, external and Governmental reporting.

SOUTH AFRICA

Foreign Assets and Liabilities

IN 1956 the South African Reserve Bank carried out, for the first time, a census of foreign assets and liabilities, and the final results recently published show the extent to which the Union still relies on the importation of capital from overseas for its continuing economic expansion. The total funds held in the Union (including South West Africa and the three High Commission territories) by overseas Governments, international bodies and other investors amounted to £1,396·4 million. Of this total, £809 million or 58 per cent represented funds invested in undertakings over which direct control was normally exercised from outside the Union; these investments were spread throughout all the industrial categories listed in the census, the most important being the manufacturing and insurance sectors where direct investment comprised 88 and 96 per cent, respectively, of the foreign investment in these classes.

Of the total foreign investment in the Union, £1,215 million (87 per cent) was in the private sector of the economy, the principal recipients being: Mining – £454 million of which investment in gold mining alone totalled £308 million; manufacturing – £303 million; financial organizations (excluding commercial banking and insurance) – £196 million; wholesale and retail trade – £149 million; insurance – £30 million; 'all other organizations and persons' (including banking) – £84 million.

From an analysis of the Union's principal creditors, it is not surprising to find that the United Kingdom was the largest, controlling some £866 million of the total foreign investment in South Africa. About one-third of this was in mining but Britain's investments also constituted the most important single contribution to manufacturing, wholesale and retail trade and to the insurance industry. The other creditors, in order of importance, were the United States with £171 million, France with £74 million, the International Monetary Fund and the International Bank for Reconstruction and Development, together, with £67 million and Switzerland with £57 million.

A study of the Union's overseas assets reveals her also as a not insignificant exporter of capital. In fact, the total funds held in foreign countries at the end of 1956 amounted to £411 million, comprising gold holdings £79 million, and other foreign assets £332 million (i.e. 21 per cent of the total foreign investments in the country). Of this, the two principal beneficiaries were the Federation of Rhodesia and Nyasaland (£115 million), and the United Kingdom (£105 million). The United States had £29 million, Portuguese East Africa £5 million and Belgium just under £5 million.

Although South Africa effects heavy payments annually in respect of dividends and profits to overseas investors, there is no doubt that the rapid economic development of the country since the war has been due mainly to the considerable net volume of capital investment which has been attracted from abroad (estimated at about £700 million since the end of the Second World War). Every encouragement is being given to overseas investors which has resulted in a further £55 million inflow of private capital during 1958.

BELGIUM

Report on Credit Statistics

THE Belgian Institute for Statistics has been made responsible for preparing a six-monthly analysis on sales and loans payable or repayable by instalments reports *La Revue Belge des Sciences Commerciales*. (January/February issue). These analyses, which will be published in relation to six-monthly periods ending June 30th and December 31st each year, replace previous ones which covered credit sales only.

The statistics, which will be collected by means of questionnaires, relate to all types of credit sales and loans – whether payment is made directly to the seller or lender or to a third party who finances the operation – where there are more than two instalments and the last is due at least ninety days after delivery of the goods or performance of the service. One type of questionnaire is designed for the use of sellers of goods and services, and another for sellers of vouchers, tokens and gift cheques and for third parties who finance operations of this nature. The completed statements are required to be sent to the Institute for Statistics before the fifteenth of the month following the relevant six-monthly period.

Weekly Notes

Birthday Honours

IN previous issues it has been our pleasure to congratulate members of the profession whose names appeared in the Birthday Honours List.

We should now like to congratulate also Mr A. G. Stickland, F.A.C.C.A., a partner in the firm of Sheen, Stickland & Co of Alton, Hants, who receives the M.B.E. Mr Stickland is a member of the National Savings Assembly representing the North Hampshire Constituency and is chairman of the Alton and District National Savings Committee.

Scottish Institute's New Examination and Training Scheme

THE new scheme of examination and training for Scottish Chartered Accountant apprentices has been approved in a poll vote by the members of The Institute of Chartered Accountants of Scotland. This was announced by Mr Thomas Lister, M.A., C.A., the President of the Institute, at the adjourned special general meeting of members held at Chartered Accountants Hall, Glasgow, on Tuesday June 23rd. Of some 6,500 members of the Institute, 2,404 voted for the proposals and 645 voted against.

The central feature of the new proposals is that apprentices should take their prescribed university classes (in law, in economics and in accounting and business method) during an 'academic year' of nine months in the third year of their apprenticeship. The President said that it was planned that this system should be introduced in the autumn of 1960.

Mr Lister added that much work would have to be done before the new scheme could be brought into operation. He therefore asked members and apprentices to postpone their enquiries about the effect of the scheme in particular cases. He asked them to await the publication of the new syllabus which it was hoped to issue within the next few months.

Sir John Braithwaite

AFTER a distinguished period of office extending over the past ten years, Sir John Braithwaite retired on June 24th as chairman of the Council of the London Stock Exchange.

Sir John consistently sought to educate the public in the purpose and functions of the Stock Exchange as an integral part of the economic machinery of the country. The compensation fund, the publication of the official stock exchange statistics and the visitors gallery are but a few of the reforms which have been made under his guidance. He always displayed a great interest in the movement towards more informative company reports and accounts and in 1958 he presented *The Accountant* Annual Awards.

Sir John has been succeeded as chairman of the Council by Lord Ritchie of Dundee.

Export Credit Insurance

THE sixteenth annual general meeting of the Berne Union of Export Credit Insurers, which this year coincided with the twenty-fifth anniversary of the Union's foundation, was held recently in Amsterdam. Delegates attended from Austria, Belgium, Canada, Denmark, France, Germany, Israel, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and United States.

The common problems of export credit insurance and guarantee technique were discussed and the economic outlook in various countries reviewed. The conference again gave consideration to the terms of payment for the various classes of goods eligible for export credit insurance. Confirming the principle that the terms of payment for insured export transactions should not differ from those usual in the trades concerned, the conference was of the view that it was one of the main purposes of the Berne Union to keep all member organizations currently informed of normal commercial practice by maintaining a system of consultation and exchange of information. The conference understood normal commercial standards to involve, for example, a credit period not exceeding six months for consumer goods, a somewhat longer credit for durable consumer goods and light equipment and a credit period not exceeding five years after shipment or delivery for heavy capital equipment.

The conference was also of the opinion that reasonable commercial practice called for adequate down-payments before shipment in all cases where medium term credits were covered.

Take-over Bids: Restrictions on Transfer of Shares

THE shareholder's position in cases of take-over bids is not always a simple and straightforward one and the decision of the House of Lords in *Lyle & Scott Ltd. v. Scott & Trustees* has come at an opportune moment.

If the articles contain restrictions against the transfer of shares, the restraint may place an accepting shareholder in a most awkward situation. The articles of the company which was to be taken over in the above case gave this company a complete discretion to refuse any transfer. They further provided that no transfer of shares for an onerous condition was to take place, so long as any other shareholder was willing to purchase the same at a price which, in default of agreement, was to be fixed by the company's auditors. Any shareholder who was 'desirous' of transferring his shares was required to inform the secretary in writing of the number of shares to be

transferred, whereupon the machinery outlined above would be put in motion.

Certain shareholders who accepted the take-over bid were held by the House of Lords to be bound by the articles so that, notwithstanding their acceptance of the offer made by the bidder, they were bound to give the required information to the secretary and to offer their shares to other shareholders at the price which, failing agreement, would be fixed by the company's auditors. Although no transfer of the shares had been registered in the name of the bidder and although a transfer to a *particular* person was contemplated, the shareholders were nevertheless to be regarded as 'desirous' of transferring their shares within the meaning of the articles. They were further held to be disentitled to vote at a meeting, at which resolutions were to be proposed for the removal of the existing directors of the company and for the appointment in their place of the bidder and his nominees.

Finance and Commerce

Minor Change?

AN improvement has been made this year in the presentation of the investment item in the balance sheet of B.E.T. Omnibus Services Ltd. The chairman, Mr J. S. Wills, calls it a 'minor change in presentation' but it is well worth while.

The company is a holding concern with investments in road transport. A list of investments is given which includes such well-known names as London Coastal Coaches. Aldershot & District, East Kent Road Car, Ribble Motor, and Yorkshire Traction. There is also a holding in the African Transport Co, increased earnings from which, incidentally, largely offset reduced income from British bus companies through strikes, increased costs, etc.

These investments are shown under the heading of 'Fixed assets' at a total of £6,743,177, which this year is split to show separately 'Quoted investments' at £3,970,981 (market value £4,728,000) and 'Unquoted' at £2,772,196 (directors' valuation £3,448,000).

Last year's single figure was £6,583,327, at par or cost, with no statement of current valuation. Mr Wills' 'minor change' seems rather an understatement.

Dividend Reserve

MR HENRY BARRACLOUGH, chairman of Dene Shipping Co Ltd, points out in his statement with the accounts to end-1958, that the directors have placed a further sum of £130,000 to the dividend equalization account, bringing the total of that account to £300,000. The unappropriated balance on profit and loss account, he adds, is up from £356,982 to £399,376 and thus there is a 'substantial cushion' which could be used in case of necessity to assist in the payment of 'modest dividends' if no trading improvement occurs for some time. (The year's dividend, it may be noted, is 10 per cent requiring £90,188 net.)

However, Mr Barraclough continues, the payment and amount of any future dividends must be influenced by the level of the company's available resources. And there, of course, he puts his finger right on the spot.

In the consolidated balance sheet at the year-end, current assets total £2,044,675 and current liabilities and provisions £893,666. Future taxation is shown at £960,634, but 'Income tax 1959–60' is only £2,250; the balance being taxation equalization account which, a note explains, includes taxation on balancing charges to be set off against taxation relief on cost of replacement vessels in Silver Line Ltd.

Compared with the balance sheet figures, the dividend appropriation is very moderate in size but it would be an accomplished shareholder who, from the balance sheet, could assess his dividend equalization prospect.

On the subject of profits, Mr Barraclough says that the 1958 profits have benefited by adjustments relating to the previous year due to the sale of vessels and the cessation of trading by the parent company. Nevertheless, he says, dividends paid and recommended are more than covered by the real trading results which virtually escape taxation due to a considerable excess of investment allowances over earnings.

Another Case

SHAREHOLDERS in Beyer Peacock & Co Ltd, locomotive builders and general engineers, have been given a dividend assurance. At the annual meeting, Mr Harold Wilmot, C.B.E., F.C.W.A., the chairman, said that the board knew that the unfortunate but inevitable time would come when change-over from steam to diesel would be necessary. The directors had therefore accumulated in the profit and loss account a very large amount so that shareholders would not find a dramatic drop in their dividend. The board, he said, intended to use these unappropriated profits for shareholders' benefit to the extent which they considered prudent.

The profit and loss account balance in the end-1958 balance sheet is £579,007 (against £487,381) which has been accumulated, in part, said Mr Wilmot, in his review, 'for just this very kind of change-over period that we are now experiencing'.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Work Study in the Office

SIR, – In the article entitled 'Work Study in the Office' (*The Accountant*, June 6th issue), the writer describes an investigation into the system of sales notification to the sales director of a large chemical company. Several improvements were made in the method of producing the six copies of the notification required by managers. Finally, 'the third improvement was achieved by a critical examination of the necessity of the return; by approaching the sales director it was found that this information was no longer required and the whole procedure was eliminated'.

But it was not only the procedure that was unnecessary. The performance of method study, the preparation of procedure charts, and the introduction of the previous improvements were also unnecessary. In fact, the laborious techniques of work study were quite inappropriate in this case.

A far more effective and comprehensive means for the improvement of office efficiency is 'organization and methods' which has been developed in recent years, and is now used by most large companies. The organization and methods officer knows that work study may occasionally be a useful technique, but he regards the verification of purpose, i.e. 'the critical examination of the necessity of the return' as the essential first step in his investigations.

Yours faithfully,

London, SW1. B. G. HARRISON.

B.U.P.A. Accountants' Group

SIR, – Readers may be interested to note that the British United Provident Association Accountants' Group (which was the subject of a letter in your issue of July 5th, 1958) has now been operating for four years and has over 650 contributors, together with members of their families.

B.U.P.A. is a nation-wide non-profit association, under the presidency of the Rt. Hon. Viscount Nuffield, G.B.E., F.R.S., and was formed in 1947 by the amalgamation of a number of provident associations, some of which had already been in existence for many years. The object of the Association is to shield its subscribers and their families against heavy expenses arising from surgical operations and other specialist treatment, as a result of either illness or accident. There is also an optional extension for private treatment by general practitioners.

The Association has no shareholders, and the governors give their services without fee or remuneration of any kind.

The Accountants' Group enables subscribers to obtain the benefits of membership on terms well below those available to individual subscribers to the Association. Membership of the group is open to most accountants in practice or in employment, as well as to all grades of staff employed by practising qualified accountants.

Further details of the Association and of the group will gladly be sent to anyone who may care to write to us.

Yours faithfully,

ROSE, GLUCK & CO,
Hon. Group Organizers,
B.U.P.A. ACCOUNTANTS' GROUP.

14 Queen Victoria Street, London, EC4.

Aiding Progressive Management

Sir, – Mr T. S. McAlpine's thoughtful articles – 'Aiding Progressive Management' – were obviously written by a man of some experience. Many small as well as large concerns would do well to follow the principles he advocates.

There are two comments which may be made on them. The first is that he defines the function of management as 'to ensure that the business earns a fair profit on the capital employed and that the resources are preserved intact.' This is a limited objective and many progressive concerns specifically recognise their social as well as their economic responsibilities.

I would differ from Mr McAlpine when he states 'there may also be a cash budget and a capital expenditure budget.' In my opinion there *should* be a cash budget, (which involves a capital expenditure budget), or, as I prefer to call it, a forecast of funds statement, based on the best available information. I well remember having prepared such a statement for a client which caused consternation, because the board had entered upon a programme of capital expenditure which they could not finance, without special measures, which they were able to take in good time.

Yours faithfully,

Guildford. L. G. DORE, A.C.A., M.B.I.M.

Business Documents

SIR, – In conjunction with a number of my colleagues I am conducting an inquiry into the standardization of size and layout of business documents, and in view of the correspondence in your columns on this subject earlier this year I shall be very interested to hear from any of your readers who have comments and suggestions to make.

Yours faithfully,

Birmingham. FRANK MURPHY.

[We shall be glad to forward to our correspondent any letters which readers may care to send. – Editor.]

Notes and Notices

THE ACCOUNTANT

INDEX TO VOL. CXL: JANUARY-JUNE 1959

We regret that owing to the dispute in the printing industry we are unable to publish the index to Volume CXL (January to June, 1959) of *The Accountant* as would have been customary with the first issue in July.

The index will be published as soon as circumstances permit. The parts of the volume should therefore not be sent for binding until the index has been added.

PERSONAL

MESSRS GANE, JACKSON, JEFFERYS & FREEMAN, Chartered Accountants, of City-Gate House, Finsbury Square, London, EC2., announce that they have admitted into partnership Mr DAVID LEONARD GREENWOOD, A.C.A. a member of their staff, as from July 1st, 1959. The name of the firm remains unchanged.

MESSRS JAMES, EDWARDS & Co, Chartered Accountants, of Salisbury House, London Wall, London, EC2, announce that their senior partner, Mr H. GARTON ASH, O.B.E., M.C., F.C.A., retired from the firm on June 30th, 1959, but will continue to be available in a consultative capacity. As from July 1st, 1959, Mr W. P. HUGHES, A.C.A., who has been a member of the staff for a number of years, has been admitted to partnership.

MESSRS ROBSON, MORROW & Co, of 59 New Cavendish Street, London, W1, announce that Mr JOHN A. GOLDSMITH, M.A., A.C.A., A.C.W.A., has been admitted as a partner as from July 1st, 1959.

MESSRS CHALMERS, WADE & Co, Chartered Accountants, of Liverpool, London and Birmingham, announce that MR J. N. THURGOOD, A.C.A., retired from the partnership on June 30th, 1959 to take up a position in industry. On the same date MR D. A. HERBERT, A.C.A., who has been on the London office staff for many years, was admitted to the partnership.

MESSRS WATSON, WADDINGTON & SHARP, Chartered Accountants, announce that as from June 22nd, 1959, their offices have been removed from Georgian House, Princes Street, Doncaster, to 35, Thorne Road, Doncaster. The telephone numbers are unchanged.

MESSRS W. R. HARRISON & Co, Certified Accountants, of 60 Fore Street, Edmonton, London, N18, announce that as from July 1st, 1959, their offices have been removed to 6 Palace Mansions, Palace Gardens, Enfield, Middlesex. Telephone: Enfield 8348.

PROFESSIONAL NOTES

Sir Archibald Forbes, G.B.E., C.A., has been appointed a member of the boards of Midland Bank Ltd and of the Midland Bank Executor and Trustee Co Ltd.

Mr J. O. Davies, F.C.A., A.C.W.A., chief internal auditor of the National Coal Board, has been appointed European Regional Vice-President of the Institute of Internal Auditors.

Mr K. A. Nicholson, V.R.D., A.C.A., has been elected a director of Strong & Co of Romsey Ltd and appointed assistant managing director of the company.

Mr T. Evan Parr, A.C.A., has been appointed secretary of David Greig Ltd.

Mr T. C. Nixon, A.C.A., secretary of Broadloom Carpets Ltd, has been appointed a director of the company.

Mr R. G. Watt, C.A., has been appointed chief accountant of Coras Iompair Eireann.

MR R. A. Rust, A.C.A., formerly secretary and comptroller of Joy-Sullivan Ltd, has been appointed general manager of the company's air power division.

OBITUARY

Sir Harry Peat, G.B.E., K.C.V.O., M.A., F.C.A.

We have learned with regret of the death at the age of 81 of Sir Harry Peat, G.B.E., K.C.V.O., M.A., F.C.A., senior partner in the firm of Peat, Marwick, Mitchell & Co, Chartered Accountants, and a former member of the Council of The Institute of Chartered Accountants in England and Wales from 1927 to 1944.

Educated at St Paul's School and Trinity College, Oxford, Sir Harry entered the family firm of W. B. Peat & Co, which later merged in Peat, Marwick, Mitchell & Co. He was admitted an Associate of the Institute in 1906 and elected a Fellow in 1911.

From 1917 to 1920, Sir Harry served as financial secretary and accounting officer to the Ministry of Food and in 1939 he returned as financial secretary, a post he held throughout the war. A member of two Royal Commissions, the Importation of Store Cattle (1921) and Food Prices (1925), he also served on a number of Government committees, including the Board of Supervision, Pensioners' Savings Scheme, of which he became chairman, and the committee set up to review the standard price of wheat under the Wheat Act 1932.

A member of the Corporation of the City of London from 1915 to 1926 and a former master of the Needlemakers' Company, Sir Harry succeeded his father as auditor of the personal accounts of the Sovereign. He was made a K.B.E. in 1920, promoted to G.B.E. in 1946 and was appointed a K.C.V.O. in 1952. He was the elder brother of Mr C. U. Peat, M.C., M.A., F.C.A., the President in the Institute.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday July 6th, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 1 Thessalonians, Chapter 3, verses 9 to 13 (Paul's thanksgiving and prayer for the christians in Thessalonika).

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The third residential course on management accounting to be arranged by The Leeds, Bradford and District Society of Chartered Accountants will be held at *The Old Swan Hotel*, Harrogate, from November 13th to 15th. The programme will include papers given by Professor Robert Browning, M.A., LL.B., C.A., of the University of Glasgow, and Mr Christopher Bostock, M.A., F.C.A.

A number of places will be reserved for representatives of other district societies. The course secretary is Mr H. Anderson, F.C.A., 26 Park Row, Leeds, 1.

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Emergency Issue

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Accounting Education

THE problem of how the preliminary education and professional training of accounting students may best be conducted is perennial. The last major attempt in the United Kingdom to come to grips with it was made by the Scottish Institute who issued, in March 1956, a report by its Special Committee on Examination and Training of Apprentices. The principal feature of the proposals, all of which were widely discussed at the time, was that the Institute's examinations should be rearranged to permit the apprentice to take one part each year and, also, to leave him free during the third of his five years' apprenticeship to spend an academic year at a university during which he would take classes in law, economics and accounting and business method. As announced in last week's issue, the scheme has now been formally approved by the members of the Institute and will, it is expected, be introduced in the autumn of next year.

Last year, another effort on a comparable scale was inaugurated when the English Institute announced in March the formation of a committee under the chairmanship of Mr W. E. PARKER, C.B.E., F.C.A., to consider and make recommendations on the most appropriate forms of education and training for entrants to the profession. Submission of evidence from professional, educational and commercial and industrial sources is being sought and sifted, and the committee will in due course publish a report giving their findings and suggestions.

In most past discussions on the subject of training, one of the main points of controversy has been the part, if any, which the universities should play in the making of an accountant. At one end of the scale is the American Institute of Certified Public Accountants which, as recently as 1956, published a report of a commission appointed to examine the standards of education and experience required for certified public accountants, containing the majority recommendation that the aspiring accountant's path to qualification led through college and university and that only a spell of three months' training in a professional office should be included on the grounds that 'some exposure to actual accounting operations' was 'highly desirable'. It is true that there was a minority of five in the commission of twenty-four members who strongly deplored the concept that academic learning could ever virtually replace actual office experience as the basic ingredient of an accountant's training.

In complete contrast to the majority American view as expressed in the above-mentioned report, is that of the English Institute which demands of its potential members that they should 'faithfully and diligently' serve five years articles to an existing member at his office and, at the same time, pass the examinations set by the Institute. No contact of any kind with a university is required (although a generous reduction in the length of articles to three years is given to graduates) nor are any tutorial classes provided or prescribed. The only form of corporate life available is the chartered accountant students' societies, membership of which is more or less compulsory, but the extent to which they participate in their local society's activities, the quantum and quality of practical office experience they acquire and how they prepare for their examinations is left to the clerks – and their principals.

Of other departures, actual or proposed, from the orthodox practice of serving five years' articles or apprenticeship in a professional office, two might briefly be referred to. One is the joint

scheme operated by certain universities, the English Institute and The Association of Certified and Corporate Accountants, whereby a student may obtain both a university degree and a professional qualification within a period of five and three-quarter years. The other is a plan operated by the English Institute allowing articled clerks, on obtaining permission from the Council, to spend six months of their period of articles in a commercial or industrial undertaking. For a variety of reasons, this arrangement has not been taken as much advantage of as was anticipated.

Accountancy, however, is becoming, by force of outside influence if not by inclination, more and more a practical profession and the greatest testimony to this fact is the very large number of qualified members who are finding satisfying careers in industry and commerce.

It may well happen, therefore, that at a not too distant date there may be three serious contenders, not two, for the honour of training future generations of accountants – the office, the university classroom and the whole industrial layout from the factory floor to the executive suite. In how to resolve and reconcile these claims, lies the core of the problem of accounting education today.

The Relation of Business Accounting to Social Accounting – I

by HOWARD B. BURDEAU, C.P.A.

SOCIAL accounting is conducted on two levels. On one level is the combination and compilation of existing accounts in accordance with the prevailing methods of business accounting. On the other level is the recasting of these accounts to conform with a set of standard rules derived from economic theory. These two levels of social accounting are designated as national business, and national economic accounting. The first is based on the accepted accounting practice of the day and place, and the second is based on the corresponding economic theory.

It has been said that social accounting has three main functions which can be described as follows:

(1) To provide a running historical record of a country's economic operations.
(2) To measure the efficiency with which the country operates.
(3) To provide a periodic inventory.

The Accounting Function

The accounting function in its broadest sense deals with the measurement of economic data and the communication of the resulting analysed data to the various interested segments of the economy. This function is universal in its application, for it exists for any type of organization in any kind of economic system. In a free enterprise system the purpose of accounting is based on the fact that the economic system is organized around, and is actuated by, the profit motive.

A business ordinarily must have assets because profits are made by furnishing goods and services to customers at prices in excess of the related costs. The operations of a business result in changes in the assets. Therefore, one may say that the main function of business accounting is to maintain records of these changes so as to reflect the financial status of the enterprise in terms of assets and equities. Since most business operations are conducted with the object of making a profit it is the further function of accounting to maintain records of the revenues, income, cost and expenses of the business. In this way the resulting change in ownership equity can be readily ascertained. The balance sheet is a statement of financial position, the income statement is one of activity. The results of business operation cannot be determined as conclusive facts until the termination and liquidation of the business. For only at that time can one compare the total distribution to the owners with the capital investment. In spite of this, it is customary to prepare, periodically, balance sheets and statements of operations for the purpose of reflecting financial conditions and profits as accurately as possible. The economist must remember that the pound valuation in the periodic balance sheets and operating statements is also affected by changes in the price level, but this fact is usually disregarded in preparing financial statements.

Accounting Principles

Accountants, in the preparation of periodic statements, are governed by accounting principles; but if the economist would examine the accountants' reports he would find no evidence of a compilation or code of principles. In fact he will find, when reviewing the application of accounting principles to financial statements for a group of companies, a wide variation in reported profits resulting from the adoption of varying policies with respect to the treatment of certain classes of items. The reasons that accounting is not controlled by a body of principles which would result in uniformity of procedure and treatment are several. Firstly, a principle may be defined as a 'fundamental truth, a primary or basic law, doctrine'. Many of the procedures of accounting are not of so fundamental a nature. Very often an accounting principle is in reality nothing more than a convention or rule of convenience.

Secondly, in the natural sciences a principle can be established by experimentation, but this is not so in accounting. Furthermore, they have not been determined by authoritative pronouncements as in law. Although various books and articles have been written dealing with important problems of business accounting, the opinions expressed are not generally binding upon the accounting profession. It may be argued that a greater degree of uniformity in accounting principles is both feasible and desirable.

Thirdly, it may not be desirable that accounting procedure be reduced to a rigid uniformity by any detailed statement of conventions and rules, for it must be remembered that accounting must meet the varying requirements of different businesses operating in different conditions under different economic systems.

Even though the accountancy profession has never accepted any final statement of accounting principles, the following have been generally regarded as principles:

(i) Only facts evidenced by completed transactions and supported by objective data should appear in the accounts and statements.

(ii) Conservatism is not justified if its practice results in an understatement of net worth and the misstatement of net income.

(iii) Cost is the proper basis for the accounting for assets and expenses.

(iv) Consistency should be maintained between the financial statements prepared at the end of one accounting period and those of successive periods. If a desirable change is made it should be mentioned and the effect thereof on the statements should be mentioned if it can be determined.

(v) Revenues should not be regarded as earned until an asset increment has been realized, or until its realization is reasonably assured.

(vi) Capital stock and paid-in surplus should represent contributed capital, and unappropriated and revenue reserves should represent the increments in ownership resulting from revenue-producing transactions.

(vii) Statements should make full disclosure of significant information and be truthful.

(viii) An expense should be charged to the period to which it is applicable.

(To be concluded)

Weekly Notes

New Finance Bill Amendments

SOME further amendments to the Finance Bill, to be moved by the Chancellor of the Exchequer, have been announced. The scope of dependent relative relief, granted by Section 216 of the Income Tax Act, 1952, is to be extended in that the definition of 'widowed mother' will include a mother living apart from her husband and a mother whose marriage has been dissolved or annulled. A new clause will modify the tax treatment of United Kingdom insurance companies in respect of annuity and pension business in the Republic of Ireland. A number of amendments of clause 28, which deals with estate duty in respect of life policies, go to improving the drafting. *Ad valorem* stamp duty on conveyances and transfers is to be restricted where the amount of the consideration or value is less than £5: the duty is not to exceed sixpence for every twenty-five shillings or part of twenty-five shillings. At present the minimum duty is two shillings which applies in practice only to shares, stocks and marketable securities. A consequence of the change is that bearer securities for less that £5 will no longer be subject to a minimum duty of six shillings. The fixed club duty of £5 is retained but individual clubs will be allowed to claim relief where their liquor sales are less than £400 a year; they will get a rebateof threepence in the pound for every pound below £400. In consequence, the cost of investigating such claims must be greater than the relief given; it would be better either to abolish the duty or not give relief.

Companies Annual Report

THE *Companies General Annual Report for 1958*[1] shows that the increase in the number of new companies registered in Great Britain in recent years continued during 1958. The number of 22,370 new companies registered in that year is the highest in any year since the Companies Act, 1948, came into force, and is 8 per cent more than in 1957 and 46 per cent more than the average for the previous five years.

The total number of companies on the registers at December 31st, 1958, was 345,674, compared with 331,119 at the end of 1957. The total comprised 329,314 private companies and 16,360 public companies.

The number of new companies registered with a share capital in 1958 was 22,181 (20,510 in 1957) comprising 22,163 (20,500) private companies and 18 (10) public companies, the total nominal capital of the companies so registered being £71.4 million (£85.1 million).

During the year 7,836 (7,584) companies were dissolved or struck off the registers and winding-up proceedings were begun in 3,609 (3,256) cases, of which 417 (310) were compulsory liquidations.

Among the more important company matters dealt with by the Board of Trade and described in the introductory paragraphs are the progress of registrations, the number of companies on the registers, the winding-up of companies, the administration of the Companies Act under various provisons and prosecutions by the Board of Trade.

[1] H.M.S.O., *1s 3d.* net; by post *1s 5d.*

Credit for Export

THE Federation of British Industries has addressed a memorandum on credit facilities for export to the Board of Trade. The F.B.I. consider that existing credit facilities for British exporters of heavy capital equipment should be supplemented by long term loan facilities. These facilities should be extended to the foreign customer for a period of 15 to 20 years and guaranteed by the Government. The F.B.I. think that the five-year repayment period which is the maximum guaranteed by E.C.G.D. credit insurance is not realistic for large capital projects when the buyer has to meet the cost of these investments from revenue.

The increased demand for deferred terms of payment for exports of capital goods and services is causing considerable concern to members of the Federation. Overseas buyers increasingly require extended credit terms and this seems likely to develop further in future years. Despite the Berne Union Agreement foreign suppliers appear able to offer credits for longer than the five-year limit set by E.C.G.D. and it is this competition which has moved the Federation to ask for an extension up to 10 to 15 years in selected cases.

Finance and Commerce

Filling Gaps

DIRECTORS of public companies must consider whether the information at present given to their shareholders is adequate, says Sir Nutcombe Hume, chairman of The Charterhouse Investment Trust Ltd. By American standards, he adds, there are certainly some gaps to be filled.

He admits that quarterly reports may not be necessary but 'at least it should be possible for most companies to give information about current progress more often than once a year'. There is an obvious opportunity, Sir Nutcombe says, when interim dividends are announced.

With some companies, however, the year is practically over at interim dividend time. Obviously the best course is a regular half-year statement.

Goodwill

AN interesting goodwill item appears in the consolidated balance sheet of Byland Industrial Holdings Ltd. During the year, the company bought a whisky broking and blending company, Sutherland Buchanan Ltd. It is intended to expand in this field and produce an export whisky under the company's brand name.

The goodwill of £22,520 in the balance sheet refers to this company, which, it is explained, owned stocks of whisky which had appreciated in value and which were included in the purchase price at market value, subject to a tax adjustment. This appreciation it is stated, forms a substantial part of the goodwill figure.

It is intended to write off the goodwill by this appreciation by the amount realised each year, less tax.

Separate Accounts

GENERAL approval will be given to the decision of the directors of Lonsdale Investment Trust Ltd to publish separately the accounts of its subsidiary, Robert Benson, Lonsdale & Co Ltd. Permission of the Board of Trade for non-consolidation has been obtained. Benson's is one of the leading banking-issuing houses in the City and there is a particular interest in its accounts as such. There is, moreover, a very vital difference between the two businesses. Lonsdale holds investments as investments. Robert Benson, as an issuing house, carries them for eventual realization.

In the Lonsdale balance sheet at February 28th, quoted securities stand at £3,424,816 with a valuation of £6,497,401. Robert Benson, a wholly-owned subsidiary, stands at £974,211 but with capital, reserves and surplus in its own balance sheet totalling £1,766,138. The Lonsdale profit and loss account separates Benson's contribution to profit. There is also a separate statement, involving minor figures, in accordance with paragraph 15 (4) of the Eighth Schedule.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Schedule A

Sir, – The arguments for and against the retention of Schedule A tax are frequently based on fallacious reasoning.

Firstly I would point out that originally the Schedule A tax was a rough method of measuring actual income from many large estates whose owners lived off that income. This is no longer the case, the main non-trading subjects being dwelling houses which do not produce income (even arguments in support of Schedule A do not assert that they do).

The opponents of the tax sometimes say 'what about pictures, cars etc' (thus implying agreement with the 'notional income' concept) to which the retort is that it is administratively impracticable to collect on these items. But that is not the point at all. If I sit all day in the garden (being able to earn an income) I am not taxed on the income I might have earned; if I pick a stone of blackberries I don't have to buy them but I am not taxed on the notional 'income' thus obtained. To raise the question of 'notional income' in regard to more permanent possessions is merely an attempt to rationalise the present practice which has no logical basis within a framework of income taxation.

This lack of logical basis is, in fact, unwittingly acknowledged by supporters of the tax who often change their tack and point out that a person who pays no rent has a greater ability to pay tax than one who does. But that is beside the point. It is certainly a new concept, foreign to an income tax, that 'ability to pay' is to be measured by expenditure! To make a distinction between the man who pays nothing and the man who pays £2, but not between the man who pays £2 and one who pays £4 is both quite without any logical basis and most inequitable. It is never suggested that because a man pays less rent than another he should pay less income tax! I don't wear a hat. Am I to be taxed on the money I save by not having to buy a new one? This is not facetious – it simply shows how ridiculous the argument becomes when carried to its logical conclusion. (A tax related to expenditure or saving could of course be designed, but that is another matter).

Now at this stage let me point out that nothing in the foregoing is in opposition to a tax on property; but enough has been said, I believe, to show that such a tax is not a tax on income.

Taxes are levied on many things: cars for example, pay an annual tax and other items of 'consumer durables' may bear a once-for-all purchase tax. Why should property not be equally a proper subject of tax? There is of course no reason at all.

The Government, however, profess themselves to believe that home ownership is a good thing. There is nothing wrong in principle with taxing houses, but to tax something you wish to encourage is, to say the least, a strange practice (although it would not be the only such tax).

I believe that Schedule A should be abolished; others are entitled to their own opinion, but I hope that this view will be formed on a true understanding of the nature of the impost as simple tax on houses, akin to the tax on cars, and free of the misleading idea that it is a tax on income and as such a logical part of our income tax framework.

Yours faithfully,

E. R. KERMODE.

Addis Ababa.

Wages by Cheque

Sir – If, after the general discussions now taking place, it is decided to legalise and adopt the system of payment of wages by cheque it is to be hoped that the effects upon the work of the professional accountant will not be overlooked.

The proposed system would add very considerably to the work of accountants and auditors particularly those concerned with small and medium sized businesses. For example, in the case of a business employing 25 employees all of whom accept their wages by cheque the number of entries in the bank account will be increased from 52 to 1300. If the business relies, as many do, upon the analysis by their accountant of the bank statements for the preparation of their annual accounts his work is obviously greatly increased without any noticeable advantage in the net result.

One obvious step to ameliorate the effects of the cheque system would be for banks to encourage their customers to open a separate account to be used only for the clearance of cheques drawn for wages. This would reduce very considerably the amount of detailed analysis involved and would probably facilitate both the work of the banks and their customers.

Administrative economies on the part of some banks and other large business organisations during the past few years, e.g. (1) the use of cheque numbers instead of the names of payees in customers' statements and (2) the waiving of receipts since the passing of the Cheques Act, have added greatly to the work of accountants generally and especially to those practising in the provinces and market towns. If their burden is still further increased excessive delays and dissatisfaction in settling matters with the income tax authorities will almost certainly result.

Yours faithfully,

R. G. WEST.

Banbury.

Reviews

Tax Problems of the Family Company

Second edition by MILTON GRUNDY, M.A., Barrister-at-Law. (Sweet & Maxwell Ltd, London. 17*s* 6*d* net.)

It is not surprising that this useful little work has gone to a second edition in two years. Not only has the book been brought up to date, but some interesting new topics have been included: hobby farming, dividend-stripping, foreign companies and partnerships, charitable companies, and others.

Changes in borrowing control have already overtaken the book but not so as to hinder any of the schemes mentioned in it. The brevity of the exposition makes some rather general statements inevitable, which would have to be carefully considered in relation to any actual scheme.

A Simple Guide to Negotiable Instruments and the Bills of Exchange Acts

second edition. by DUDLEY RICHARDSON. (Butterworth & Co (Publishers) Ltd London. 17*s* 6*d* net.

The Cheques Act, 1957, has necessitated a second edition of this useful little book. Designed primarily for those preparing for the examinations of the Institute of Bankers by an associate of that Institute, it is of use and interest over a much wider field. The Bills of Exchange Act, 1882, has been rightly acclaimed as a model of legal draftsmanship. The author of this book recognizes this and his approach to the law of negotiable instruments is a direct study of the Act, section by section. His comments, with their frequent cross-references to other sections of the Act, are of great value in leading to an understanding of the subject. In his commentary on the Cheques Act, Mr Richardson pertinently refers to the curious reception by the public of Section 3. Any student of the law of negotiable instruments would do well to acquire a copy of this book.

Economic Aspects of Industry and Commerce

by J. L. HANSON, M.A., M.ED.(Leeds), PH.D.(London). (Macdonald & Evans Ltd, London. 25*s* net.)

The aim of this new book by Dr Hanson is to provide an introduction to economics stressing aspects of the subject which are of particular interest to those in industry and commerce. In particular it is designed as a textbook for the courses covered by the Intermediate I.C.W.A. or B.I.M. examinations.

The book is divided into two main parts, the first of which is largely a descriptive account of industry and the factors of production, with an attempt to provide a brief historical background. The second half of the book consists of what is virtually the standard type of text on economics, i.e. the price and market mechanisms, competition and monopoly, money, banking and foreign exchange.

The entire book is readable and will, like Dr Hanson's other textbooks, almost certainly enjoy a good market among students whose primary concern is to pass their examinations. For these readers a brief appendix contains a number of typical past examination questions, together with some suggestions for further reading.

Spicer & Pegler's Income Tax and Profits Tax

Twenty-third edition by H. A. R. J. WILSON, F.C.A. (H.F.L. (Publishers) Ltd, London. 30*s* net.)

In the new edition of this well-known work the editor has tackled the new subject of overseas trade corporations with characteristic thoroughness and lucidity, a whole chapter of seventeen pages being devoted to it. As before, the book is a striking achievement in compression although the section on settlements might well be revised with a little more information added about the changes in 1958. (The book still quotes *C.I.R. v. Gaunt* as an authority for the proposition that 'wife' includes 'widow', despite that case having been overruled by *Vestey v. C.I.R.* some years ago.)

RECENT PUBLICATIONS

LECTURES ON ECONOMIC PRINCIPLES, Volume III, by Sir Dennis H. Robertson. 164 pp. 8 × 5½. 16*s* net. Staples Press Ltd, London.

ACCOUNTING SYSTEMS IN MODERN BUSINESS, by Eldred A. Johnson. vii+453 pp. 9½ × 6½. 60*s* net. McGraw-Hill Publishing Co Ltd, London.

WORK MEASUREMENT IN THE OFFICE, A Guide to Clerical Cost Control, by Elmer V. Grillo and Charles J. Berg, Jr. x + 186 pp. 9½ × 6. NOMA Series in Office Management. 45*s* net. McGraw-Hill Publishing Co Ltd, London.

UNIT TRUSTS AND HOW THEY WORK, second edition, by C. O. Merriman, A.C.A. x + 123 pp. 9 × 6. 20*s* net. Sir Isaac Pitman & Sons Ltd, London.

EXPLORATION IN GROUP RELATIONS, by E. L. Trist and C. Sofer. 68 pp. 8½ × 5½. Card covers. 7*s* 6*d* net. Leicester University Press, Leicester.

THE COMMONWEALTH IN BRIEF, prepared by the Reference Division, Central Office of Information. 132 pp. 7×4½. Card covers. 3*s* 6*d* net. H.M.S.O., London.

EDINBURGH AND GLASGOW CHARTERED ACCOUNTANTS STUDENTS' SOCIETIES' TRANSACTIONS – 1956–58, Volume XXIX. A record of the activities of these societies for the sessions 1956–58. 215 pp. 8½×6. The Chartered Accountants' Students' Society of Edinburgh, 21 Abercromby Place, Edinburgh, 3.

THE MINISTRY OF TRANSPORT AND CIVIL AVIATION, by Sir Gilmour Jenkins, K.C.B., K.B.E., M.C. The New Whitehall Series. 231 pp. 9×5½. 21*s* net. George Allen & Unwin Ltd, London.

THE BRITISH BUDGETARY SYSTEM, by Sir Herbert Brittain, K.C.B., K.B.E. 320 pp. 9×5½. 25*s* net. George Allen & Unwin Ltd, London.

AN INTRODUCTION TO MATHEMATICS FOR STUDENTS OF ECONOMICS, by J. Parry Lewis. x+394 pp. 9×6. 40*s* net. Macmillan & Co Ltd, London.

A STANDARDIZED SYSTEM OF NATIONAL ACCOUNTS, 1958 edition. 104 pp. 9½×6. Card covers. 6*s* 6*d*. The Organization for European Economic Co-operation, Paris.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Findings and Decisions of the Disciplinary Committee

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on June 3rd, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Charles Elman, F.C.A., was at the General Sessions held in the Old Bailey on January 27th, 1959, convicted on indictment for that he conspired with other persons to cheat and defraud such persons as might be induced to part with monies and goods and to discount or accept liability in respect of bills of exchange by false pretences and by fraudulent conversion and by divers other false and fraudulent devices, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Charles Elman, F.C.A., had been proved and the Committee ordered that Charles Elman, F.C.A., formerly of 7 Warwick Court, Holborn, London, WC1 be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Ivor Robert Evans, A.C.A., was on February 2nd, 1959, at a Magistrates' Court convicted of two charges namely (*a*) whilst a servant of a limited company he stole £14 14*s* 11*d* property of his employers and (*b*) whilst a servant of that company he stole £15 4*s* 9*d* property of his employers, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Ivor Robert Evans, A.C.A., had been proved and the Committee ordered that Ivor Robert Evans, A.C.A., of 1, Castle House, Bath Road, Speen, Newbury, Berkshire, be excluded from membership of the Institute.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Mr B. J. Davis, F.C.A., in the absence of the President, and five members were present.

Applications for Assistance

Six new applications for assistance were considered. In two cases a grant was made for one year; in three cases it was decided to make arrangements for the applicants to enter a home and in one case a grant was made for six months as a temporary measure.

Applications for Further Assistance

Nineteen cases for further assistance were considered. In six cases the grant was renewed; in ten cases the grant was increased and in three cases the grant was reduced owing to improved circumstances.

Matters Reported

The hon. secretary reported the death of four beneficiaries during the last quarter. Changes in the circumstances of ten beneficiaries were reported and grants were adjusted in appropriate cases.

Legacies and Donations

It was reported that two payments on account had been received in respect of legacies left to the Association and that a member had made a donation of £150.

PERSONAL

MESSRS PRICE WATERHOUSE & CO, announce that Mr J. M. S. COATES, O.B.E., F.C.A., who has been their senior resident partner in Newcastle upon Tyne for many years, retired from the firm on June 30th, 1959. His son, Mr M. A. COATES, A.C.A., was admitted to partnership in the London and Newcastle firms on July 1st, 1959.

MESSRS R. H. BRIDGWATER & CO, Charteder Accountants, announce that as from July 1st, 1959, their offices have been removed from 33 Martineau Street, Birmingham 2, to Essex House, 27 Temple Street, Birmingham 2. Telephone: Midland 2127.

MESSRS H. G. ELLIS, KENNEWELL & CO, of Imperial Building, Victoria Street, Nottingham, announce that their senior partner Mr. H. G. ELLIS, F.C.A., having reached the age of 65, retired on June 30th, 1959. Mr ELLIS had been in practice in Nottingham for more than 37 years, and for the last 14 years he had been the senior partner in the firm. The name of the firm will remain unchanged and the practice will be carried on by the remaining partners.

MESSRS JOSOLYNE, MILES & CO, Chartered Accountants, of London, announce that Mr J. H. WHITTLEY, F.C.A., retired from the firm on June 30th, 1959, in order to take up a commercial appointment.

MESSRS E. W. LONGHURST & CO, announce that they have moved their offices from 217 Hoe Street, to 152 Hoe Street, Walthamstow, E17.

MESSRS J. DIX LEWIS, CAESAR, DUNCAN & CO, of London, announce that after many years of practice their partner, Mr C. M. DUNCAN, D.S.O., M.C., F.C.A., has retired as from June 30th, 1959. The practice will be continued by the remaining partners and the style of the firm will remain unchanged.

MESSRS BROADS, PATERSON & CO, Chartered Accountants, of Garrard House, 31/45 Gresham Street, London, EC2, and of New York, Chicago and Paris, announce that they have taken into partnership Mr J. O. R. DARBY, A.C.A., who has been with the firm for a number of years.

Mr RALPH E. ATKINSON, A.C.A., announces that following his retirement from the firm of MESSRS WOOD, WILLEY & CO, of 34 Clements Lane, London, EC4, he has commenced to practice at Downe House, 287, High Street, Orpington, Kent.

RETURN OF RATES

The fourteenth annual return of rates[1] for England and Wales to be published by The Institute of Municipal Treasurers and Accountants contains particulars of rates levied and shows details of rates levied per head of population. The figures relate to all county and metropolitan boroughs and a representative selection of non-county boroughs, urban districts and rural districts.

The service analyses of rates levied relate to district service councils only, but rates levied per head include expenditure of county councils and district councils.

During the current financial year, the average rate levied in county boroughs is 19*s* 11*d*, an increase on 1958–59 of 7*d*. For metropolitan boroughs this year's total is 17*s*, a reduction of 2*d* on the previous year; for non-county boroughs the rate is 11*d* higher at 20*s* 3*d* and urban and rural districts show rises of 10*d* and 5*d* to 20*s* 2*d* and 17*s* 11*d* respectively.

Education continues to be the biggest charge on the ratepayer and police and highways also take a large portion.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

Annual Golf Competition

The annual golf competition of the Liverpool Society of Chartered Accountants was held at Heswall Golf Club recently, when sixty-five cards were taken out. The leading results, under the Stableford system of scoring, were as follows:

G. R. Leece	41 points	*1st Member*
*D. G. Williamson	37 points	
W. S. Wicks	35 points	*2nd Member*
F. D. M. Lowry	34 points	
P. Jeffery	34 points	
J. H. Worrall	32 points	
*N. B. H. Thorpe	32 points	
R. H. Weston	31 points	
J. F. Allan	31 points	
*D. J. Lowe	30 points	
*M. R. T. Sills	30 points	

**Articled Clerk.*

The President, Mr C. J. Peyton, A.C.A., and forty members of the Society later attended a dinner held in the Club House.

CRICKET

In a match played at Blackheath on June 4th, the London Chartered Accountant Students' Society defeated the South Wales and Monmouthshire Students' Society by 8 wickets. Batting first, the London Society declared at 163 for 3 wickets, due mainly to an excellent opening partnership of 127 between Wright (67) and Raven (44). The South Wales students started confidently and had made 80 for 4 when James came on to bowl: the wickets then fell rapidly and the side was all out for 118, James taking 5 for 18.

At Birmingham on June 10th, the London Society were again successful, comfortably defeating the Birmingham Students' Society. Batting on a lively wicket, London declared at 150 for 9 wickets (Wright 45). Facing a hostile bowling attack and good fielding, the Birmingham batsmen were never happy and they were all out for 87 runs.

[1] *Return of Rates, 1956–60*, The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, SW1. 10*s* 6*d* post free.

New Legislation

The date given indicates when an Act received the Royal Assent or when Statutory Instrument becomes effective.

STATUTES

(7 & 8 Eliz. 2)

Chapter 20: Electricity (Borrowing Powers) Act, 1959

An Act to increase the statutory limits imposed on the amounts outstanding in respect of borrowings by the Electricity Council and Electricity Boards.

Price 4d net. March 25th, 1959.

Chapter 22: County Courts Act, 1959

An Act to consolidate, with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949, certain enactments relating to county courts.

Price 5s 6d net. March 25th, 1959.

Chapter 23: Overseas Resources Development Act, 1959

An Act to consolidate the Overseas Resources Development Acts, 1948 to 1958, other than the provisions thereof relating to the Overseas Food Corporation.

Price 1s net. March 25th, 1959.

Chapter 24: Building (Scotland) Act, 1959

An Act to make as respects Scotland new provision for safety, health and other matters in respect of the construction of buildings and for safety in respect of the conduct of building operations; for these purposes to establish buildings authorities for burghs and landward areas of counties and to amend the law relating to dean of guild courts; to amend the powers of local authorities in relation to buildings which are below prescribed standards or dangerous; and for purposes connected with the matters aforesaid.

Price 2s 6d net. April 30th, 1959.

STATUTORY INSTRUMENTS

The Exchange Control (Import and Export) (Amendment) Order, 1959 (S.I. 1959 No. 517)

This Order amends the Exchange Control (Import and Export) Order, 1958 by permitting travellers to take out of the United Kingdom and the Channel Islands £20 instead of £10 in sterling notes.

Price 2d net. March 26th, 1959.

The Companies Liquidation Account (Interest) Order, 1959 (S.I. 1959 No. 702)

Companies Act, 1948, Section 362 (4), provides that, when the balance at the credit of any company's account in the hands of the Board of Trade exceeds £2,000, and the liquidator gives notice to the Board that the excess is not required for the purposes of the liquidation, the company shall be entitled to interest on the excess at the rate of 2 per cent per annum or such other rate as may for the time being be prescribed by order of the Treasury.

This Order prescribes a rate of 2½ per cent per annum in place of 3½ per cent per annum prescribed by the Companies Liquidation Account (Interest) Order, 1958.

Price 2d net. April 18th, 1959.

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Emergency Issue

THE

ACCOUNTANT

ESTABLISHED 1874

The Recognised Weekly Organ for Chartered Accountants and Accountancy throughout the World

JULY 18TH, 1959 VOL. CXLI. NO. 4413

The Treasury Defends Itself

AS reported in our issue of August 23rd, 1958, the Sixth Report from the Select Committee on Estimates, Session 1957-58, criticized certain features of Government financial administration and suggested that a small independent committee should be set up to investigate the theory and practice of Treasury control of expenditure. Linked with this proposal was the recommendation that more regard should be paid to the advantages of associating professional and technical experts with financial decisions. The Treasury has now, in the form of a white paper, replied to these observations and, as was to be expected, has in the main refuted them.[1]

First of all, it denies the imputation that 'the old theory of candle-ends economy has not wholly been abandoned' and claims that 'the new theory of departmental responsibility and partnership' has, in fact, been accepted and practised by successive Governments for about forty years. Secondly, the white paper rejects the criticism by the Committee that 'while new expenditure may be carefully watched, continuing expenditure may escape relatively unchallenged'. It argues, with some justification, that the main responsibility for keeping a wary eye on recurring expenditure rests with the spending Departments themselves but that the Treasury supplements these local scrutinies with constant revisions of general policy.

The third of four major criticisms to be demolished is that of the Select Committee appertaining to 'inadequate assessment of eventual commitments'. On the charge of making insufficient estimates of the costs of major projects before they are executed, the Treasury spokesmen agree that preliminary budgets must be made as realistic as possible but that, in every instance, to count the cost too exactly beforehand might delay seriously the good to be derived from the undertaking. As regards long term planning, the white paper points out that the practice of forecasting all civil expenditure, three years in advance, is a long established technique. Lastly, the white paper deals with the important matter of prior Treasury sanction and the delegation of financial authority. Here the Lords of the Treasury go some way with the Select Committee in its desire to delegate control of expenditure as widely as practicable but make the reservation that the Chancellor of the Exchequer must retain sufficient power 'to discharge effectively his own essential responsibilities'.

In its last paragraph, having previously rejected the Select Committee's suggestion for the establishment of an outside committee to review the present extent of the Treasury's powers, the white paper proposes instead that an internal enquiry should be conducted, under the general authority of the Chancellor, to examine the whole machinery of financial control over public expenditure. This domestic tribunal would seek, as required, the assistance of experts personally unconnected with the Government. Apparently, while it would be 'inappropriate' for an independent committee to give Parliament advice on how best to run its affairs, the same advice tendered by possibly the same experts to a Parliamentary committee may be incorporated in its report with the utmost propriety. The prospect, if the Chancellor accepts the challenge, is exciting and while the propositions formulated will in the first instance be confidential, they will, if worthy of consideration, no doubt be fully debated in the House in due course.

[1]*Seventh Special Report from the Select Committee on Estimates. Session 1958-59.* H.M.S.O. 1s. net.

The Relation of Business Accounting to Social Accounting—II

by HOWARD B. BURDEAU, C.P.A.

Accounting Terminology

IT is equally important for the economist to have a working knowledge of the terminology of accounting which again is not crystalline or precise. Before proceeding further, let us attempt to set forth a working definition of important accounting terminology, namely, revenue, income and profit. Revenue is an inflow of assets in the form of cash, receivables, or other property from customers, and is related to the disposal of goods or the rendering of services. Income may be considered as the excess of realized or earned revenues over the related costs. Profit is income earned by the disposal of tangible goods.

Cost is the recognized basis of accounting for assets and expenses, and accounting records are fundamentally intended to reflect acquisition costs and the transformation, flow and exhaustion of these costs through operations. The differences between national business and economic accounting will cause differences to exist between the national business balance sheet and national wealth estimates.

Departures from the fundamental cost basis to the so-called 'going-concern' basis are usually regarded as acceptable; other departures are of questionable propriety. Downward revisions in the valuation of current assets are regarded as acceptable departures from the cost basis to the going-concern basis. This departure is justified by the old adage 'conservatism', which is based on the fact that a portion of the cost may not be recovered. It is extremely doubtful, at present, that the cost basis of accounting will be abandoned in favour of an accounting procedure which would necessitate appraisal and revaluation of all assets at each balance sheet date and the incorporation of the revaluation in the accounts.

Equally important is the differentiation between assets and expense expenditures. An expenditure is a payment, or the incurring of an obligation to make a future payment for a benefit received. Some expenditures are properly chargeable to asset accounts, others are chargeable immediately to expense. The difference between them is due to the fact that an expenditure should be charged to a capital asset account if it is expected to benefit at least one future period.

In general, it may be said that cost is cost even though it may not be a fair price, although in some instances it seems reasonable to give consideration to the matter of fair prices. Cost includes not only the basic or purchase price but also incidental costs. When expenditures are made for capital assets or other stores of value, it is necessary to distinguish between incidental costs which can properly be charged to asset accounts and other expenditures which should be charged to expense. An example of incidental costs are title searches, legal fees, transportation, installations, and breaking-in costs. There are many other examples of incidental costs which would cause some accountants to differ as to their propriety for inclusion as capitalized goods. For instance, there is some difference of opinion on the question of capitalizing in the cost of constructed fixed assets, a proportion of manufacturing overhead. From a theoretical point of view the cost of a constructed fixed asset should include a proportion of manufacturing overhead. Theoretical additions to actual cost should not be made in the accounts. Examples of this are the practice of including interest on fixed assets in the cost of manufacture and the recording of constructed fixed assets in the property accounts at a theoretical purchase price in excess of the constructed cost.

Depreciation

From the above review of accounting theory and terminology the economist must be aware that business accounting measurements of income may not be, in all cases, measurements of economic income. This is especially true if the economist refers to income tax returns for measurements of income. The income account contains items which are differently affected by price changes, namely, stock valuation and the amount of the annual depreciation charge. Income is affected by stock price changes during a financial year, and the 'LIFO' method of valuing stock has been advanced as a method of eliminating from income the effect of fluctuating costs. Depreciation, unlike stock, is related to the long-term change in prices and pound valuation, for stock is generally turned over several times in a year while depreciation can be effected by a cycle of fifteen years or more.

Some accountants contend that the declining balance method of depreciation reflects the economic usefulness of depreciable assets better than straight-line depreciation. This is based on the assumption that both loss of economic usefulness and contributions to income are generally greater in the early years of the life of a capital asset. Accelerated depreciation ignores the change in the valuation of the pound and the total amount of depreciation is limited to original cost. To overcome this, the theory of basing depreciation on a purchasing power index has been advanced, which would depreciate the asset until the depreciation reserve on cost equals the original cost expressed in current price level. It is contended that this method allows for the change in the value of the pound from the date the asset was originally purchased to the end of the financial year being reported. Other accountants have urged that a method be adopted to show stockholders what their profits are on a current basis rather than on the present mixed basis of current value for one section of the costs and historical value for the other section. This would put the operations of a business on a current basis. These are part of the current move among accountants that more accounting principles should have a basis in economic theory; and, perhaps in the future, some of the differences between business accounting income and economic income will disappear.

The economist in preparing a national balance sheet has the problem of dealing with the individual balance sheet items, such as fixed assets and stocks. What value can the economist use for capital assets which are reflected in the balance sheet at cost less depreciation, and which may bear no relation to the present market value? Stocks represent another major problem, for the identical stock can have different valuations based on the accounting method used to value the stock.

Business accounting is based on the double-entry system and accounting statements are expressions of equations. The balance sheet equation can be expressed as assets minus liabilities equals net worth. The economist, using the sectional system principle of national income accounting, follows basically the same equations but finds that the double-entry system of business accounting gives way to a quadruple-entry system.

Although great strides have been made in economic accounting in recent years there exists a great challenge for the accountant and the economist in the national income, wealth and related fields. (*Concluded.*)

Weekly Notes

Summer Course at Oxford

THIS year's summer course of The Institute of Chartered Accountants in England and Wales concluded at Oxford last Tuesday. About two hundred and eighty members attended, being divided for discussion purposes into fourteen groups; accommodation was provided in Christ Church and Merton College.

The President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., presided throughout the course, and Mr S. J. Pears, F.C.A., Vice-President, and Mr P. F. Carpenter, F.C.A., chairman of the Summer Course Committee, were also present. Members of the course assembled on Thursday of last week when, after dinner in Hall, they were welcomed by the President, later being addressed by Mr J. N. L. Myres, M.A., Bodley's Librarian, on the history of Christ Church and Merton College.

The following papers were presented during the course: on Friday, 'Busines efficiency – the part of the accountant' by Mr C. I. Bostock, M.A., F.C.A., (Annan, Dexter & Co); on Saturday, 'Some practical aspects of death duties' by Mr B. G. Rose, F.C.A., (Howard Smith, Thompson & Co); and on Monday, 'Accounting by electronic methods with particular reference to the auditor' by Mr J. W. Margetts, F.C.A. (Peat, Marwick, Mitchell & Co). (Papers by these authors on similar subjects have previously appeared in *The Accountant*).[1]

An informal talk was given in Hall on Sunday evening by Mr Basil Smallpeice, B.COM., A.C.A., managing director of British Overseas Airways Corporation.

A photograph of some personalities who attended the course is reproduced on another page.

The Institute's Annual Service

FOLLOWING the meeting of the Council of the Institute on July 1st, a report of which is included in this issue, the President, with members of the Council and of the Institute, attended divine service at St Margaret's, Lothbury.

The service was conducted by the Rector, Rev. A.

[1] *'Turning plans into £ s d'* by Christopher Bostock, M.A., F.C.A., *The Accountant*, February 28th and March 7th, 1959. *'Trusts and settlements: their use in mitigating tax liabilities'* by B. Gottlieb Rose, F.C.A., *The Accountant*, March 8th, 1958. *'The auditor and the computer: from a statutory auditor's viewpoint'* by J. W. Margetts, F.C.A., *The Accountant*, September 6th, 1958.

John Drewett, M.A., B.SC., and the President read the lesson. The rector based his sermon on the text 'Do not be faithless, but believing' (*John xx, 27*).

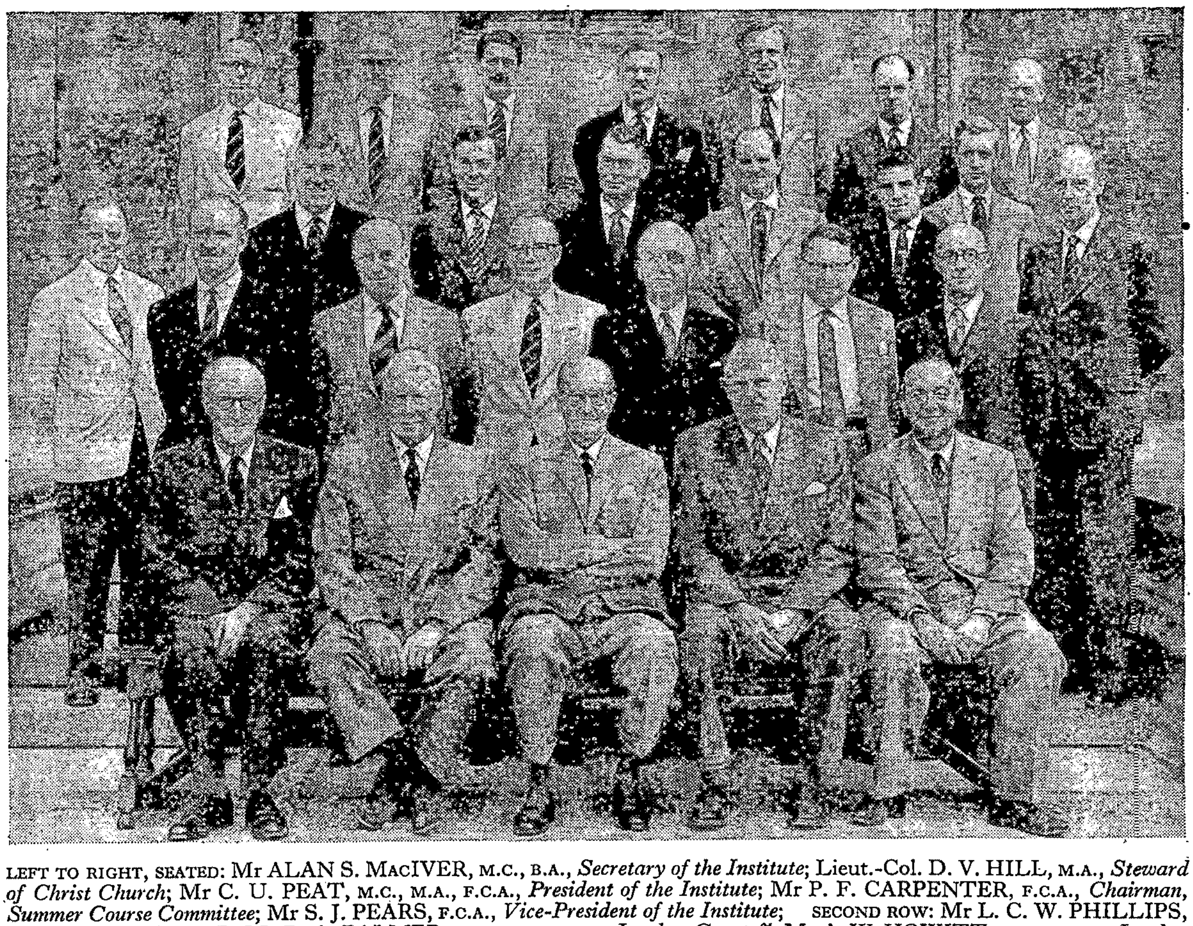
The collection for the Chartered Accountants' Benevolent Association amounted to £47 6s od.

Stamp Duty and Reconstructions

THE Inland Revenue have agreed to a relaxation in their requirements in relation to claims for stamp duty relief under Section 55 of the Finance Act, 1927, on company reconstructions and amalgamations. Where relief depends on the transferee company acquiring not less than 90 per cent. of the issued capital of the transferor company and the transferee company submits a comprehensive form of acceptance of all the shares included in individual transfers, together with a certificate signed by the auditor (being a person properly qualified in accordance with the Companies Act, 1948) stating that he has examined and checked the individual transfers and certifying the total number of shares included in them, then the Inland Revenue will normally be willing to act on that certificate without requiring production of the individual transfers. However, they reserve the right to call for such transfers in particular cases, and will require them where the claim fails.

The relaxation is referred to in the report elsewhere in this issue of the meeting of the Council of the Institute held on July 1st.

The Institute's Summer Course: Some Personalities



LEFT TO RIGHT, SEATED: Mr ALAN S. MACIVER, M.C., B.A., *Secretary of the Institute*; Lieut.-Col. D. V. HILL, M.A., *Steward of Christ Church*; Mr C. U. PEAT, M.C., M.A., F.C.A., *President of the Institute*; Mr P. F. CARPENTER, F.C.A., *Chairman, Summer Course Committee*; Mr S. J. PEARS, F.C.A., *Vice-President of the Institute*; SECOND ROW: Mr L. C. W. PHILLIPS, F.C.A., *Leader, Group D*; Mr R. A. PALMER, T.D., M.A., F.C.A., *Leader, Group J*; Mr A. W. HOWITT, M.A., A.C.A., *Leader, Group E*; Mr D. V. HOUSE, F.C.A., *member, Summer Course Committee*; Mr J. H. MANN, M.B.E., M.A., F.C.A., *member, Summer Course Committee*; Mr E. C. SAYERS, A.C.A., *Leader, Group H*; Mr H. L. LAYTON, M.S.M., F.C.A., *member, Summer Course Committee*. THIRD ROW: Mr R. W. SMITH, O.B.E., T.D., F.C.A., *Leader, Group G*; Mr C. I. BOSTOCK, M.A., F.C.A., *Speaker*; Mr L. P. CLEMINSON, M.A., A.C.A., *Leader, Group L*; Mr B. D. BARTON, M.A., A.C.A., *Leader, Group C*; Mr B. LEES, *member of Institute Staff*; Mr D. P. HUBBARD, B.A., *Secretarial Assistant*; Mr T. HAMILTON BAYNES, M.A., F.C.A., *member, Summer Course Committee*. BACK ROW: Mr H. P. PATTERSON, F.C.A., *Leader, Group A*; Mr H. T. NICHOLSON, F.C.A., *Leader, Group N*; Mr C. B. G. TURNER, F.C.A., *Leader, Group K*; Mr D. F. DODD, T.D., F.C.A., *Leader, Group B*; Mr J. M. HARRISON, T.D., B.A., F.C.A., *Leader, Group F*; Mr G. N. HUNTER, F.C.A., *Leader, Group O*; Mr W. W. WARD, F.C.A., *Leader, Group M*.

Anglo-Danish Trade Agreement

A MAJOR step towards removing obstacles in the way of the formation of a Free Trade Area as discussed recently in Stockholm has been taken. Denmark and the U.K. have signed an agreement by which the latter will abolish the tariff on Danish bacon if a Free Trade Area of the Stockholm model comes into existence. Under the new agreement, the U.K. would abolish the 10 per cent tariff on bacon in two equal stages, the first on July 1st, 1960, and the second a year later.

It is still possible, but not likely, that the agreement will be rejected by the Danish Parliament. Once the agreement is ratified the way will be open for a general agreement among the seven proposed members of the Free Trade Area when they meet at Stockholm later this month. The seven countries concerned are Norway, Sweden, Denmark, Austria, Portugal, Switzerland and the U.K. It is possible that Finland may come in later but that country has to move with circumspection owing to its nearness to Russia. Denmark has all along been in the most difficult position and an agreement between that country and the U.K., even after hard bargaining, is a good augury not only for the Free Trade Area but also for the reconciliation of the Free Trade Area group with the Common Market.

Volta River Scheme

THERE are now signs that the Volta River scheme may go ahead in a modified form. Originally, Aluminium Limited of Canada and the British Aluminium Company Limited were coming in to help finance, and eventually run, an aluminium smelter scheme based on nearby bauxite deposits in Ghana as part of the hydro-electric project for the Volta. Without a major off-take of electric power by a local aluminium industry, the ambitious hydro-electric scheme for the river does not make economic sense. The increased capital cost of the scheme, and possibly some reservations about the political stability of Ghana, have held up the original scheme. Now the Kaiser in terests in the U.S. are reported to have made considerable progress with a consortium which may include Aluminium of Canada.

Finance and Commerce

Investments in Subsidiaries

A CHANGE has been made in the 1958 accounts of Goodlass Wall & Lead Industries Ltd, in the method of showing investments in subsidiaries. During the year, Mr. R. L. H. Lancaster, the chairman, explains, it was felt desirable to capitalize some of the retained profits in a number of subsidiaries to bring their issued capital to a more realistic figure.

As a result, the value at which these subsidiaries stand in the parent balance sheet has been increased by the amounts of their post acquisition reserves which have been capitalized; the small capitalization issues made in earlier years by a number of overseas subsidiaries have been treated similarly. Capital reserves have thus been raised by £397,126.

Group reserves, Mr. Lancaster explains, have not been increased in any way by this; the effect is merely to reflect the capitalization in the holding company's balance sheet.

Comparison Problem

PROVISION of comparative figures is impossible where there is no real comparison. Robertson Industrial Textiles Ltd, for instance, acquired the Robertson Group on the first day of its financial year to February 28th, 1959, and the group's last complete period of operations was for six months. A higher depreciation rate and loan stock interest payments further complicate comparison.

In his statement, however, Mr. J. F. Robertson helps to overcome the comparison difficulty by providing figures showing the trading surplus, depreciation and taxable profit of the Robertson Group for the six months to February 1958 and of Robertson Industrial Textiles and its subsidiaries for the year to February 1959.

He explains that the second half of the year was decidedly less profitable than the first. A fall in jute prices meant that sales during the second half-year tended to be based on a price level lower than that at which the jute arriving during the period had been bought.

Clearer View

A CHANGE in the positioning of investment income is to be seen in the accounts of The Midland Employers' Mutual Assurance Ltd. The notes on the accounts explain that in past years, general fund investment income (net) has been credited *pro rata* to the various underwriting departments. This year, the whole of that income, gross, has been credited to profit and loss account and the comparative figures for 1957 have been amended accordingly.

As Mr. Alan S. Barnfield, the chairman, pointed out at the annual meeting, the new method has the advantage of showing at a glance the underwriting results of each department.

A broad view of the economics of insurance business is given in the 'Simplified results' of the general fund. This does not take in the life fund.

The company is one that can claim to have made a surplus on its motor department, but this, it is stated, is due, in the main, to the fact that the department is very selective and does not seek business of a 'hazardous' type.

Tax Point

THE Jersey General Investment Trust Ltd is registered in Jersey – the actual year was 1931 – and, of course, enjoys the tax advantages of its situation. In its profit and loss account for the year to April 30th, 1959, there is a credit under the heading of 'Taxation' of an estimated sum of £12,400 in respect of United Kingdom income tax, of which £6,800 is applicable to the 1957–58 financial year and the balance of £5,600 to the 1958–59 accounts. Mr. R. G. Maltwood, the chairman, says that in accordance with the statement made a year ago, as the actual repayment for 1958 had not been recovered by April 30th, 1959, an estimate of the amount due has been included in the accounts.

After consultation with the auditors, the directors, have decided that it would be more in accord with investment trust practice to carry this a stage further and to include in the accounts each year an estimate of the amount of United Kingdom income tax repayment due for the year under review, thereby giving shareholders a picture as up-to-date as possible of the state of the company's affairs. In future years, therefore, there will be only an estimated credit for tax repayment in respect of the current year.

Taxation Cases

A full report of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

In re Sutherland's Estate

In the High Court of Justice (Chancery Division)
June 19th, 1959
(Before Mr Justice DANCKWERTS)

Estate duty – Shares in company – Assets valuation – Possibility of balancing charge – Whether immature liability – Whether contingent liability – Finance Act, 1824, Section 7 – Finance Act, 1940, Section 50, 55 – Income Tax Act, 1952, Sections 292, 297.

The deceased owned 98,700 shares in a company, and he died possessed of the voting control of the company, and consequently the shares had to be valued in accordance with Section 55 of the Finance Act, 1940. At the date of the deceased's death the company owned five ships, and their value was £1,150,000. The ships had cost the company £847,907, and at the date of death, March 29th, 1953, the company had had capital allowances, so that the expenditure unallowed was then £290,749. In 1954 the ships were sold for £1,070,505, and an assessment in respect of the resulting balancing charge of £504,787 was made on the company, and the income tax payable was £239,773 16*s* 6*d*. An additional profits tax assessment for the chargeable accounting period ended March 31st, 1953, was also made, and the tax thereon was £30,305 9*s* 6*d*. The aggregate of these two amounts of tax was £270,079 6*s* 0*d*.

It was contended by the plaintiffs, the executors, that, in computing the principal value of the deceased's estate for estate duty purposes, the deduction of the £270,079 6*s* 0*d* was allowable on the ground that this sum was, at the date of the deceased's death, either an immature liability or a contingent liability within Section 50 of the Finance Act, 1940, which is applicable to Section 55 of the same Act. It was contended by the Inland Revenue that though the sale of the ships did give rise to the liability in question, there was neither an immature nor a contingent liability on the company on the date of the deceased's death, and that therefore the deduction claimed was not allowable.

Held: (1) there was no immature liability, as such a liability was one which was binding on the company at the relevant date, but which would not become payable till later; (2) that having regard to the decision of the Court of Appeal in *In re Duffy* (2), there was no contingent liability at the date of the deceased's death.

Couper's Testamentary Trustees *v.* Lord Advocate

In the Court of Session – May 15th, 1959
(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT, Lord RUSSELL and Lord SORN)

Estate duty – Passing of property – Moveable estate – Beneficiary – Death of beneficiary – No collation (bringing into hotchpot) – Whether right to moveables vested in deceased – Intestate Moveable Succession Act, 1855, Sections *1, 2 – Finance Act, 1894, Sections 1, 2 (1) (c).*

On January 10th, 1957, the deceased's brother died intestate and unmarried, leaving both heritable and moveable estate. He was survived by the deceased and by two sons and a daughter of another sister who had predeceased him. The deceased died on February 8th, 1957.

The appellants were assessed to estate duty on the one half of heritable estate of the brother, which passed on his death to the deceased as an heir portioner. No question arose in regard to this assessment. The appellants were also assessed to estate duty in respect of half the brother's moveable estate, which, the Inland Revenue contended, had also vested in her. The appellants contended that this assessment was invalid, in that no right to any part of the brother's moveable estate had vested in the deceased, because she had not collated (brought into hotchpot) her share in his heritable estate.

Held: there was no obligation on the deceased to collate, either under the common law of Scotland or under the Intestate Moveable Succession Act, 1855; and that, therefore, the deceased died possessed of the title to half her brother's moveable estate.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, July 1st, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present:

Mr C.U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Messrs. E. Baldry, O.B.E., C. Percy Barrowcliff, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs. G. T. E. Chamberlain, J. Clayton, C. Croxton-Smith, W. G. Densem, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs. P. D. Irons, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs. G. F. Saunders, K.G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Re-admission to Membership

Subject to payment of the amount required by the Council two former members of the Institute were re-admitted to membership under clause 23 of the Supplemental Royal Charter. Two applications were refused.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (*b*) for exemption from the Intermediate Examination was refused.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

Section 55, Finance Act 1927

The Secretary of the Institute has received a letter from the Secretaries' Office (Taxes) Inland Revenue, Somerset House, referring to Section 55, Finance Act 1927, which provides for relief from companies' capital and transfer stamp duty on the reconstruction or amalgamation of companies. In cases in which the claim to relief is dependent upon the transferee company acquiring not less than 90 per cent. of the issued share capital of the other company, it has been the normal practice of the Board of Inland Revenue to accept for the purposes of adjudication:

(*a*) the individual transfers executed by the transferors

(*b*) a comprehensive form of acceptance of all the shares included in the individual transfers, executed by the transferee company.

(*c*) a schedule of the individual transfers.

The Inland Revenue now states that where a transferee company submits with the comprehensive form of acceptance a certificate signed by an auditor (being a person qualified for appointment as auditor of the company within the provisions of the Companies Act, 1948) stating that he has examined and checked the individual transfers and certifying tha total number of shares included in those transfers, the Board will normally be willing to act on that certificate without requiring production of the individual share transfers. The Board reserve, however, the right to call for individual transfers in particular cases and will require them in all cases where the claim to relief fails, in order to compute the duty payable.

Registration of Articles

The Secretary reported the registration of 105 articles of clerkship during the last month, the total number since January 1st 1959, being 940.

Admissions to Membership

The following were admitted to membership of the Institute:

§¶ Freedman, Michael; A.S.A.A., 1959; (David Shrand & Co.), United Buildings, High Street, Worcester, Cape Province, South Africa.

Hearnshaw, Peter John; A.C.A., 1959; 5 Park Close, Solihull, Warwickshire.

§Lee, Colin David; A.S.A.A., 1959; with Cooper Brothers & Co., P.O. Box 1913, Cape Town.

Lewis, Norman Cyril; A.C.A., 1959; 9 Chequers Way, Palmers Green, London, N.13.

Ogden, Ronald; A.C.A., 1959; 56 Bromwich Street, Bolton, Lancs.

Richardson, Terence; A.C.A., 1959; 12 Carr Manor Place, Leeds, 17.

§Silk, Frederick Charles Ziervogel; A.S.A.A.A., 1959; 184 Barry Hertzog Avenue, Greenside, Johannesburg, South Africa.

Spotswood, William Harrison; A.C.A., 1959; (S. 1928); Corrienteo 456, Dept. 75, Buenos Aires, Argentina. (With Deloitte, Plender, Griffiths & Co.).

§¶ Stones, Ian Whitmore Devenick; (1959); A.S.A.A., 1953; 802 West Walk, West Street, Durban, South Africa.

§Verlander, Richard Henry Godfrey; A.S.A.A., 1959; with Alex. Aiken & Carter, Box 2636 Johannesborg, National Bank Buildings, Simmonds and Market Streets, Johannesburg.

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§ *means 'incorporated accountant member'.*

¶ *means 'member in practice'.*
*Firms not marked † or * are composed wholly of members of the Institute.*

† *against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.*

* *against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.*

Elections to Fellowship

The following were elected to fellowship:

Hawkes, Reginald Ernest; A.C.A., 1953; (Whale, Barnett & Co.), 59 & 60 Broad Street Avenue, Blomfield Street, London, E.C.2.

Jacobs, Harvey; A.C.A., 1954; (Goldwyn Bros. & Co.), 62-64 Temple Chambers, Temple Avenue, London, E.C.4.

King, Leonard Charles Victor; A.C.A., 1953; (Francis F. King & Son), 25 Chesham Road, Amersham, Bucks; also at London (Francis F. King & Son), and (Wallace Cash & Co.).

Petherick, Ian Stuart; A.C.A., 1953; 115 Green Dragon Lane, Winchmore Hill, London, N.21.

Webb, Trevor Hugh; A.C.A., 1953; (Francis Webb & Son), 53 Walsgrave Road, Coventry.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Appleton, Dennis John; A.C.A., 1950; (Newman, Biggs & Co.), 14 Harborne Road, Five Ways, Edgbaston, Birmingham, 15.

Baker, Peter Reginald; A.C.A, 1958; (P. V. A. Oldak, Baker & Co.), 45 King's Road, Chelsea, London, S.W.3, and 343 Fulham Palace Road, London, S.W.6.

Bakewell, Colin Marshall; A.C.A., 1951; (Hilton, Sharp & Clarke), 14 Gray's Inn Square, London, W.C.1, and at Brighton.

Bastiman, Raymond Macrow; A.C.A., 1958; (Smith, Willcox & Co.), 38 Queen Street, Scarborough.

Coulthard, Brian Edward; A.C.A., 1951, (*Pulis, Coulthard & Co.), 6 Woodside, Coalbrookdale, Iron-Bridge, Shropshire.

Cullum, Dennis Leonard; A.C.A., 1958; (S.1954); (White & Pawley), Torrington Chambers, 58 North Road, Plymouth.

Fish, Brian; A.C.A., 1959; 59 Pinewood Green, Iver Heath, Bucks.

Franklin, Dennis Austin; A.C.A., 1956; 9 Pelham Avenue, Scarthoe, Grimsby.

Franklin, Royston Frederick; A.C.A., 1958; (S.1957); 4 Featherstone Road, Fishponds, Bristol.

Franks, David John; A.C.A., 1958; (S.1953); (White & Pawley), Torrington Chambers, 58 North Road, Plymouth.

Hay, Christopher Henry; A.C.A., 1957; (Smith, Willcox & Co.), 38 Queen Street, Scarborough, Yorks.

Heady, Donald Edward; A.C.A., 1958; (Donald Heady & Co.), 70 Sowrey Avenue, Rainham, Essex.

Jackson, Michael Reginald Aubrey; A.C.A., 1958; (Chadwick & Hassall), 2A Alexandra Road, Manchester 16 and (B. Halpern & Co.), 40 South King Street, Manchester, 2.

Jones, David Mervyn Hinds; A.C.A., 1955; (R. H. March, Son & Co.), Baltic House, Mount Stuart Square, and 8 Windsor Place, Cardiff, and at London.

Moate, David Walter; A.C.A., 1958; (S.1955); 25-29 Coleman Street, London, E.C.2.

Parrott, Brian Michael; A.C.A., 1958; (S.1956); (F. E. Hawkes & Co.), 39 The Grove, Bedford.

P[illegible] Leonard John; A.C.A., 1959; (Norman & Pike), 37 [illegible]rch Street, Westbury, Wilts.

[illegible] William Sydney; A.C.A., 1958; (S.1955); (Bryn Owen & Co.), 22 Iron Gate, Derby.

[illegible]r Gorton; A.C.A., 1956; (A. G. Rice & Co), [illegible]l Road, Cannock, Staffs.

[illegible] A.C.A., 1935; (Smithson, Blackburn & Co.), [illegible]rs, King Street, Leeds, 1.

Swonnell, Colin; A.C.A., 1958; (S.1954); 28 Picton Place, Newcastle-upon-Tyne, 1.

Watts, Spencer Frederick; A.C.A., 1958; (S.1948); (Phipps & Co.), 82 High Street, Tenterden, Kent, and at Rye.

Admission Void

The Secretary reported that thead mission of the following has become void by reason of the non-payment of the admission fee within two months of the date of admission:

John William Edward Sharp

Chairmen and Vice-Chairmen of Committees

The Secretary reported the appointment of the following Chairmen and Vice-Chairmen of Committees for the the ensuing year:

Applications
Chairman—R. P. Winter; Vice-Chairman—R. McNeil.

Articled Clerks
Chairman—E. F. G. Whinney; Vice-Chairman—M. Wheatley Jones.

District Societies
Chairman—P. F. Granger; Vice-Chairman—A. D. Walker,

Finance
Chairman—P. V. Roberts; Vice-Chairman—Sir Harold Gillett.

General Purposes
Chairman—Sir William Carrington; Vice-Chairman—W. H. Lawson.

Investigation
Chairman—D. V. House; Vice-Chairman—P. F. Granger.

Library
Chairman—T. A. H. Baynes; Vice-Chairman—D. A. Clarke.

Parliamentary and Law
Chairman—H. A. Benson; Vice-Chairman—C. M. Strachan.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Sir William Henry Peat, C.B.E., K.C.V.O., M.A., F.C.A., London, a member of the Council from 1927 to 1944.
Mr. Alfred Edmund Anthony, A.C.A., London.
,, Gerald Selig Black, A.C.A., Birkenhead.
,, William Wallace Brierley, F.C.A., Oldham.
,, William John Bush, F.C.A., Birchington.
,, Richard Edward Carey, F.C.A., London.
,, Thomas Eaves, F.C.A., Liverpool.
,, Philip Evers-Swindell, A.C.A., St. Helier.
,, Harold Graham, F.S.A.A., London.
,, Kenneth Probert Harrington, A.C.A., Newport, Mon.
,, James Clifford Fortescue Hartford, A.S.A.A., Cape Town.
,, Stanley Beaumont Hill, B.A., F.C.A., Leeds.
,, Charles Matthew Holland, F.C.A., Birmingham.
,, Harry Rogers, F.C.A., Manchester.
,, Victor Charles John Saunders, F.C.A., Bexley.
,, William Henry Stables, F.C.A., Kendal.
The Venerable Donald Reginald Weston, F.C.A., Kitwe, Northern Rhodesia.
Mr. Henry Foster White, F.C.A., Leeds.

Mr C. C. Chokshi

Mr C. C. Chokshi, President of the Institute of Chartered Accountants of India, who is on a visit to this country, was received by the Council after the conclusion of its meeting. The President extended to him a hearty welcome, to which Mr. Chokshi suitably replied.

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Emergency Issue

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Ending Double Taxation

THIS country has been a pioneer in the movement against double taxation, entering into a large number of bilateral agreements not only within the Commonwealth but with foreign countries, too. Those agreements within the Commonwealth conform very closely with a general pattern, which is of enormous practical advantage to those administering the agreements or advising individual taxpayers as to their rights. Even our conventions with foreign countries follow a common pattern as far as possible. Above all, this country made a very great contribution to the cause of single taxation when it instituted a limited amount of unilateral relief in 1950, and again when the limit was removed in 1953.

However, one country alone cannot produce international uniformity, and it is this fact which makes the work of the Organisation for European Economic Co-operation in this field so welcome. As far as O.E.E.C. is concerned, the elimination of double taxation is only one facet in its aims of suppressing the various obstacles still hampering trade, payments and the the movement of capital and persons in Europe.

The O.E.E.C. Fiscal Committee a year ago produced draft articles to be included in all bilateral double tax agreements; these articles covered the classification of taxes, the defining of 'permanent establishment', the notion of 'fiscal domicile' and the matter of tax discrimination on grounds of nationality. The O.E.E.C. has now adopted recommendations by the Fiscal Committee incorporating a second series of ten articles to be included in bilateral conventions. These ten new articles deal with:

(*a*) the taxation of income from shipping, inland waterway transport and air transport;

(*b*) the taxation of income from independent and dependent personal services (i.e. as free agent or as employee);

(*c*) the taxation of income from immovable property; and

(*d*) the taxation of capital.

There are thus now fourteen articles which the O.E.E.C. recommends for inclusion in all bilateral double tax agreements. As its recommendations of a year ago have been adopted in the nine new conventions signed by member countries since then, there is a very good augury of the success of the new recommendations.

The work of the Fiscal Committee is not yet complete. It has still to submit to the Council of O.E.E.C. (before July 1st, 1961) draft articles to deal in particular with:

(*a*) the taxation of royalties, dividends and interest;

(*b*) the technical methods of avoiding double taxation (tax credit method and exemption method);

(*c*) the allocation of profits between the head office of an enterprise, its permanent establishments and its subsidiaries; and

(*d*) the general provisions of the Convention.

Later, the Fiscal Committee will examine problems of double taxation with respect to taxes on estates and inheritances and to indirect taxes. In the meantime one can look forward to the goal of a multilateral double tax convention applicable to all members of O.E.E.C. and also to countries associated with it. There is certainly still some way to go. Neither Spain, Portugal nor Turkey yet has any bilateral agreement with any of the members or associated countries; Iceland has only two, and Greece and Ireland only three each. Needless to say, of member countries the United Kingdom is head of the league.

Internal Check and its Appraisal

by S. CUTTELL, A.A.C.C.A.
Divisional Chief Internal Auditor, National Coal Board, West Midlands Division

I HAVE found that the precise meaning of the words 'internal check' is generally either not well known or is difficult to describe. In some cases, there is an impression that internal check simply means the detailed checking by one person of the work carried out by another, and in other cases there is the impression that internal check is the same as internal auditing. The words 'internal check' to the ill-informed, therefore, usually indicate more detailed checking, or extra administrative expenditure, which must be avoided unless absolutely necessary.

The Council of The Institute of Chartered Accountants in England and Wales have thought fit to give a definition of internal check which is as follows:

> 'Internal check is best regarded as indicating the checks on the day-to-day transactions which operate continuously as part of the routine system, whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors and fraud. Internal check, therefore, includes such matters as the definition of authority, the allocation of duties and responsibilities, the division of work and the proper method of recording transactions.'

From this definition, it will be seen that, given an adequate system of internal check, fraud is not possible without collusion between two or more persons. The division of duties is therefore of the utmost importance, so that responsibility for procedures and aspects of procedures is defined to individuals and so that, as far as is practicable, custodianship is separated from the keeping of control records.

Internal check should be regarded as being relevant to all transactions having financial implication, which, in effect, means all transactions of a business undertaking.

Necessity for Internal Check

Internal check, as indicated by the Institute's definition, takes many forms, and, whilst its main object is the prevention or early detection of errors and fraud, it demands organization. There could be no internal check, for example, at a unit employing several people, where each person selected those duties which were found most enjoyable or least distasteful; where the executives did not know what their subordinates were doing; where the work of one person was never subject to scrutiny, examination or check by another; where there was no supervision; and where the recording was done on scraps of paper which were subsequently destroyed after the accounting transactions were completed. Obviously, this is an extreme case of disorganization with a complete lack of internal check. In this case, with some organization a system of internal check could most likely be instituted without additional expenditure, and, indeed, the existing expenditure could possibly be reduced.

In contrast to the large unit employing several persons, where a system of internal check may be either introduced or strengthened without any increased expenditure, there is the one-man unit where, no matter how efficient the one man may be, internal check is not possible without additional expenditure being incurred. Falling between the large unit and the one-man unit, there are other units where, although internal check exists to some degree, improvements are not possible without expenditure and, in all cases where internal check means increased cost, the management must consider the risks involved, the existing precautions, if any, and whether further expenditure is justified.

Quite apart from the financial risks associated with weaknesses in internal check, it may be argued that it is wrong for management to place employees in a position where fraud can be easily perpetrated, and accordingly, that all possible action, including if necessary the incurring of additional expenditure, should be taken so as to make fraud either impossible or more difficult. On the other hand, it could be argued that management should have complete trust in their employees without the need for internal check, and in practice this is one of the main difficulties to be overcome when introducing a system of internal check for the first time. This difficulty can normally, however, be overcome when it is explained that internal check, by the definition of responsibilities, protects the individual employee against the misdeeds of others.

Documentation of Procedures

In most organizations there are well-established procedures providing varying degrees of internal check. These procedures have often developed over many years by verbal instructions and by trial and error, and, as each person is accustomed to carrying out his particular part of the procedure, the idea of documenting the complete procedure has possibly never been considered or has been rejected as being unnecessary. The result is that it is difficult to obtain a complete picture of the organization and it is also difficult to appraise its efficiency particularly from the aspect of internal check. In some undertakings it has been thought desirable to document the procedures

A paper presented at a meeting of the Birmingham Chapter of the Institute of Internal Auditors, on April 9th, 1959.

so as to facilitate the appraisal of the internal check, and, as internal check is relevant to all transactions having financial implication, the documentation which in effect, has been applicable to the organization of the undertaking, has enabled an appraisal to be carried out of the wider plane of efficiency generally.

It is considered that the documentation should show what is done, when it is done, and the persons responsible. Voluminous documentation with narratives, diagrams, charts, etc., may look very impressive but in practice it is probable that this quickly finds its way into the archives. Documentation, in my view, therefore, should be kept to an absolute minimum, which will provide a basis for an appraisal of the procedures, in conjunction with intelligent observation of the operation of the procedures, and with the minimum of questioning of executives and staff responsible. The task of keeping the documentation up to date will then not be too burdensome. Such an adequate documentation could, it is considered, be constituted by a schedule showing all the duties in a procedure, together with the names of the persons responsible; the schedule could then be supported by specimens of any forms in use and also by an organization chart defining the authority and responsibility of each person involved in the procedure.

Internal Check and the Internal Auditor

So that the documentation may be effective in the appraisal of the internal check, it is of course essential that it should be prepared to give the requisite information. In a wages procedure, for example, the documentation should indicate the persons responsible for making time entries, checking time entries, making calculations of wages, checking calculations of wages, and all the duties concerned with the handling of cash. A scrutiny of the duties allocated to any particular person would then indicate the opportunities for fraud.

The appraisal of the internal check is, in my view, one of the most important functions of the internal auditor, which function can be divided into two main aspects: Firstly, in reviewing the adequacy of the prescribed procedures which is greatly facilitated by adequate documentation, and secondly, in verifying that these procedures are enforced. The appraisal of the internal check is a skilled function, and guidance, especially to the less experienced auditor, is normally required so that no important features may be overlooked. In order to provide this guidance, check lists in questionnaire form may be drawn up to cover all the essentials of sound internal check. Such lists are sometimes prepared in a way that a negative answer indicates a position which may not be satisfactory and which needs further investigation, if necessary, by a more senior auditor. Other aids to appraisal may take the form of lists of points to watch, but of course, all these aids must have regard to the experience and skill of the auditor who will be called upon to carry out the appraisals.

The method of the appraisal of the internal check is dependent on the extent of the documentation in existence and, even if the most comprehensive documentation is in existence, it is considered essential that the procedures should be reviewed when in operation so as to ensure that they are adequate and also to see that the documentation represents the factual position. It is also considered that it would be dangerous for the auditor merely to take out his check list and proceed to ask questions of executives. He should, of course, do a broad appraisal, if necessary, by the questioning of executives before commencing his audit so that he may devote the greater proportion of his time to the weakest aspect of the procedures; but during the course of the audit he should take care to verify the accuracy of the statements received from the executives and be alive to the circumstances associated with each aspect of his detailed auditing.

In this way, by seeing for example who has entered the wages sheets, who has checked the calculations, who has certified the time-books, who has certified the wages sheets, who has paid out the cash, etc., he will be able to provide his own answers to the majority of the questions on the check list, and, apart from being more satisfactory from the audit viewpoint, busy executives will be saved from the task of answering a host of audit queries. The auditor will also be able to see how the signatures are appended to the various documents. It may quite conceivably be the case that documents are signed by a senior official merely because he sees the signature of his subordinate, and it may be quite dangerous for the auditor to presume that a document with several signatures has been subject to extensive examination.

Action Following Appraisal

Having appraised the internal check as prescribed and as in operation, it is clearly the duty of the auditor to report on the extent to which the internal check as prescribed is not in operation and to expose any weaknesses which are revealed by his appraisals. The necessity for the submission of recommendations so as to overcome weaknesses in the internal check is, however, more difficult and it is here that the auditor comes very close to exercising an executive function. The auditor's recommendations must, therefore, be reasonable and practicable, and subject to having regard to the policy of his undertaking, should above all represent action which he himself would take if the undertaking was his own.

In those cases where it would be clearly uneconomic to rectify the weaknesses in the internal check, or where recommendations are rejected, the auditor must of course take note of the position and adjust his programme so as to give special attention to the weakest aspects. In those cases where serious weaknesses remain unrectified it may

be necessary to regard the particular unit as a 'vulnerable accounting point' so that it is high-lighted for special attention, both by the management and by the auditor.

Conclusion

It has been stated that one of the main functions of the internal auditor is the appraisal of the internal check. It must be made clear, however, that the auditor's function is an appraisal function and that he should not, and could not, assume the prime responsibility for the adequacy of the internal check and its maintenance. Internal check can only operate efficiently if the procedures as prescribed are adequate and are consistently applied. This demands constant supervision which can only be carried out by the management. The auditor must, however, bear some secondary responsibility particularly if, after conducting extensive audits, serious weaknesses in the prescribed procedures remain without being exposed by him, or if he fails to expose breaches of the procedures which are applicable at the time of his audits.

To conclude, I would again refer to the definition given by The Institute of Chartered Accountants and to the reference to the application of internal check to day-to-day transactions. Given adequate internal check on day-to-day transactions, it follows that internal check on the year's transactions, including the outstanding balances which are used for balance sheet purposes, should also be adequate without the necessity for special year-end arrangements. Taking this argument to its logical conclusion, therefore, adequate internal check in conjunction with interim auditing implies the acceptance of accounting figures and balances, except for provisions which require consideration at the year-end for final accounts purposes, and accordingly the curtailment of year-end auditing. This must be the ultimate objective, although it may be regarded as a secondary feature to the elimination of fraud. We, as internal auditors, through the effectiveness of our appraisals and recommendations, should endeavour to see that our respective undertakings are organized in the interests of sound internal check which, I would submit, goes hand in hand with optimum efficiency, and so help to create the conditions which will enable the benefits to be fully exploited.

Weekly Notes

Estate Duty and Executors

HOW can executors and trustees, who have taken all reasonable precautions before distributing an estate, ensure that the Inland Revenue will make no further claims on them for estate duty, e.g. where trustees distribute an estate on the death of a life tenant and then subsequently it transpires that the life tenant had some free estate which was not disclosed at the time the rate of duty was fixed? The *Law Society's Gazette* for July, 1959, has some useful observations on this topic.

A so-called 'clearance certificate' by the Estate Duty Office, qualified by the words 'on the facts at present before the Office' does not afford absolute protection. However, a certificate of discharge under Section 11 (2) of the Finance Act, 1894 (as amended by Section 14 of the Finance Act 1907) would do so. It can be applied for on form No. 30 and this is a better course than applying for a clearance certificate. However, even a clearance certificate with the qualification mentioned above allows one to assume that the values fixed on the disclosed assets will not subsequently be questioned. A certificate of discharge will not be issued unless the values have been accepted. Such a certificate is available even where the estate is too small to attract duty.

Higher Rail Fares

THE Transport Tribunal's recent report on the British Transport Commission's revised passenger charges scheme states that a new maximum fare of 3*d* a mile second class and 4½*d* a mile first class has been approved. These compare with the existing rates of 2*d* and 3*d* a mile respectively.

The new scheme will replace the present one as from August 1st, but it is expected to be deferred until the end of the summer holiday period. Season ticket rates have also been increased but not as much as the increase on standard mileage rates. The price of short distance season tickets will go up by between 10 and 16 per cent (say, up to 25 miles) and thereafter the rate of increase goes up from between 16 and 23 per cent. The rate of increase therefore goes up as the mileage increases.

U.S. and U.K. Productivity Compared

THIS country is still losing ground to the U.S. so far as productivity of workers is concerned, according to a joint study made by O.E.E.C. and the Department of Applied Economics at Cambridge. The report is called 'The Comparison of National Output and Productivity of the United Kingdom and

the United States' by Deborah Paige and Gottfried Bombach.

Output per worker in the United States in 1957 was 2.2 times as high as output per worker in this country, at British prices, whereas in 1950 the American figure was only 2.1 times as high as in the U.K. Over the same period the American labour force was expanding at an average rate of 1.8 per cent per annum compared with 1.2 per cent in this country, so that not only was America absorbing workers relatively more quickly than the U.K. but it was also slightly raising their productivity as well.

The U.K. compared least favourably in the motor car, domestic equipment and tin can industries. The comparison was least unfavourable in shipbuilding and repairing.

Levies for the Cotton Industry

THE Cotton Board is to raise two levies under the cotton industry's reorganisation scheme. The first will be to defray one-third of the cost of compensation for eliminating redundant plant and will also be used to cover the scheme's administrative costs. The other levy will meet the cost of compensation to displaced operatives. The levies will be based on the machinery in place when the new system is introduced.

So far as taxation of compensation is concerned, the question whether a concern will be taxed on the compensation offered for disposing of plant will depend on individual circumstances. Those companies which go out of business altogether will receive their compensation free of tax.

Finance and Commerce

F.C.I.

THE balance sheet of the Finance Corporation for Industry Ltd as at March 31st, 1959, presents something new in accounting practice. There may be a precedent but it is extremely doubtful.

Broadly, the Corporation is similar in conception to The Industrial and Commercial Finance Corporation Ltd. Whereas I.C.F.C. takes care of industrial capital needs at the lower end of the scale, F.C.I. deals in big money with comparatively few undertakings.

The result for the past year was a loss of £2,196,190 after providing £2,550,000 against loans. This provision, states Lord Weeks, the chairman, represents a substantial writing down of investments because the directors have thought it prudent to make further considerable provision against loss.

To a Press conference, Lord Weeks is reported as saying that 'every skeleton is now out of the cupboard' and that the board are hoping that some of the provisions against loans will eventually come back.

£5 million 'Advance'

Shareholders in F.C.I. are the Bank of England which put up 30 per cent of the capital, investment trusts which provided another 30 per cent and insurance companies which subscribed the remaining 40 per cent. The risk capital is £500,000 in called and partly paid shares. To what extent the insurance companies and the trusts would be prepared to face further calls on their partly paid shares is unknown, but as business concerns, responsible to their shareholders, a reluctance on their part would be understandable. At March 31st, F.C.I.'s loans from bankers and accrued interest amounted to £35,150,132, representing the basic financing method.

Obviously, £500,000 of risk capital has proved inadequate for the business conducted on bank loans with a margin between buying and selling money insufficient to create reserves against which losses can be charged.

Discussions between the board and the Bank of England resulted in the bank making an 'advance' of £5 million which appears in the balance sheet under capital as an 'amount paid in advance of calls', following the issued share capital of 2,500,000 shares of £10 each on which 4*s* has been called and paid.

Regarded as Capital

Lord Weeks says that there is no intention of making a call on the shares; that the £5 million is to be regarded as capital; that its repayment would be a repayment of capital subject to the Court; that it is unsecured; and that the terms of the 'advance' are particularly favourable during the first five years, which means at nominal interest – nominal at present meaning nil interest. Thereafter, the interest rate is to accord with the rate paid on the advances from bankers.

Not surprisingly, city editors, reviewing the accounts, have found difficulty in accepting the £5 million in its balance sheet context of capital. *The Times* called it 'in effect an unsecured loan'. The *Manchester Guardian* saw it as 'virtually a gift'.

Granted that this is an exceptional company with exceptional, dominant shareholders, but it is still a company presenting accounts to shareholders like any other registered company. The question remains: can a company with partly paid shares and which does not intend to make a call, put 'an amount paid in advance of calls' in its share capital account?

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Maintenance Relief

SIR, – As your interesting leading article in the June 27th issue does not mention compensation under an ordinary insurance policy, we wonder if you would be good enough to comment on this point which has worried us for some time.

Insurance money is not received from the Crown or a government or public or local authority, but it would seem to come from a 'person' who is able to obtain tax relief himself seeing that quite obviously an insurance company would charge all expense against profits for tax purposes. We would, of course, agree that insurance receipts would be ignored until expended, but when expended it would seem logical for the reimbursed expenses to be omitted from the maintenance claim. However, as equity and law are strangers we should very much appreciate an amplification of your article in this connection.

Yours faithfully,
PERKINS, COPELAND & CO

Eastbourne.

[Section 332 (2) (*a*), Income Tax Act, 1952, specifically deals with

> 'insurance moneys or other compensation moneys payable in respect of any asset which has been demolished, destroyed or put out of use.'

These moneys are ignored whether or not the insurance company obtains relief. Insurance moneys not falling within this definition are also ignored where the insurance company does not obtain *maintenance* relief in respect of them. – Editor.]

Terms of Will: Tax Position

SIR, – I am dealing with a case where a testator died in 1953 leaving an only child, a daughter. This daughter was in a mental institution.

In his will, the testator provided for £7 per week to be paid for the benefit of the daughter during her life, with other sums from time to time in the discretion of the trustees. On the death of the daughter the residue of the estate will be given to a local church. The £7 per week would have to be met out of income and capital.

In 1957, the Court of Protection made an order appointing a Receiver for the daughter. In view of the daughter's circumstances the full £7 per week cannot be expended for the benefit of the daughter, and if paid would accumulate as cash held by the Receiver. The daughter, therefore, would bear tax on an income which she would not be capable of spending. The trustees wish to pay *not* the £7 per week, but such lesser sum as may actually be expended. The full £7 per week was not, in fact, paid up to the time that the Receiver was appointed. The tax authorities state that despite this, assessments will be made on the full £7 per week.

I have been asked:

(1) whether the £7 per week stated in the will must be adhered to, or whether it may be varied by process of law;

(2) to ascertain the taxation position as regards the estate of the deceased, and as far as the daughter is concerned.

I should appreciate the comments of readers on this matter.

Yours faithfully,
P.

Schedule A

SIR, – Mr Kermode of Addis Ababa (July 11th issue) has possibly overlooked some important aspects of Schedule A taxation.

Home ownership in Great Britain today almost invariably implies mortgage. So long as loan interest is allowed as a deduction from income for purposes of taxation, it would seem only logical that the Revenue should recoup a part of its lost income by an imposition on the property in respect of which loan interest relief has been granted.

Secondly, where property has been purchased with capital derived from inheritances or savings, the capital so applied could have been invested in securities which would have produced a taxable income.

The failure to purchase a hat, incidentally, does not involve the expenditure of capital, and unless it is a hat which would have been worn wholly and exclusively for business purposes, the tax relief thereon is restricted to that which would have been assessed upon an individual in respect of his capital investment in a new hat.

I hope this tends to clarify the situation.

Yours very truly,
London, W1. W. C. LAUGHLAND.

SIR, – Your correspondent, Mr E. R. Kermode, (July 11th issue) is on the wrong track if he is looking for logic or equity in either taxation or objections to taxation. Governments demand their subjects' money, and the accompanying propaganda is better termed 'excuses' than 'reasons'. Has he forgotten Morton's Fork?

Yours faithfully,
ROBERT W. J. DERBY, A.C.A.

London, EC2.

Wages by Cheque

SIR, – Mr R. G. West (July 11th issue) appears to be making unnecessary work for the bank and his client by introducing a separate banking account for the clear-

ance of wages cheques. This problem could, of course, be solved by a bank transfer; a schedule of all the net payments being handed to the bank authorizing them to debit their account with the total and credit the individual employees.

In most cases the schedule could be a carbon copy of a portion of the wages sheets, an additional column being inserted in the latter to provide for the name of the employee's bank.

In order to accommodate the employees who do not wish to use a commercial banking account because they find it more convenient to use the Post Office Savings Bank, their banking account could be used for clearing purposes only. They being able to draw a cheque so that it is presented at the paying bank on the due date. This procedure would cost the employee 8*s* 8*d* per annum which in most cases would be covered by the additional interest the account would earn. This method may seem cumbersome but it would certainly eliminate having to wait in a long queue every Saturday morning at the bank.

Yours faithfully,
R. MITCHELL

London, SW17

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Bennett v. Rowse

In the House of Lords – July 6th, 1959

(Before Viscount SIMONDS, Lord GODDARD, Lord KEITH OF AVONHOLM, and Lord EVERSHED)

Income Tax – Balancing charge – Trade of letting out aircraft on hire – Destruction of one aircraft – Whether trade permanently discontinued – Income Tax Act, 1918, Schedule D, Case I – Income Tax Act, 1945, Section 17.

The appellant was the owner of two aircraft, which he let out on hire to a company controlled by him. One of the aircraft was destroyed at about 3.20 p.m. on March 12th, 1950. The appellant was notified by telephone and immediately left for the scene of the disaster; but before doing so he gave instructions that the other aircraft was to be grounded. By a letter dated the same day the company was notified that the appellant had 'ceased to hire you the two Tudor aircraft'. This letter was not signed until the following day. The aircraft was insured and the appellant received about £38,000 from the insurance company.

It was conceded that if the destruction of the aircraft and the discontinuance of the appellant's trade were simultaneous, no balancing charge could be made. It was contended by the appellant that his trade came to an end the moment the one plane was destroyed, because it was in fact impossible to carry on afterwards. The respondent contended that the trade was not discontinued when the one plane was destroyed. The Special Commissioners decided that the appellant's trade did not cease at the moment when the one plane was destroyed, but at some time thereafter.

Held: (confirming the judgment of the Court of Appeal) the decision of the Special Commissioners was correct.

C.I.R. v. Hudspeth

In the High Court of Justice (Chancery Division) July 1st, 1959

(Before Mr Justice VAISEY)

Surtax – Undistributed income of company – Computation of actual income – Assessment of actual income – Dividend paid for same periods – Claim for relief – Whether claim restricted by reference to commercial income – Finance Act, 1932, Section 21 – Income Tax Act, 1952, Sections 245, 249 (5).

The respondent was a shareholder in a company, and a direction and apportionment was made in respect of the company's actual income for the accounting periods ended March 31st, 1951, and March 31st, 1952. The amounts apportioned to the respondent, after giving relief for a dividend already declared, were £4,066 and £3,753 respectively, and the respondent was assessed to surtax accordingly. The surtax in respect of these assessments was paid.

On January 26th, 1956, the company declared a dividend for the same two accounting periods, and the amount received by the respondent was £7,820 8*s* 0*d*. In computing the respondent's total income for 1955-56 the £7,820 8*s* 0*d* was included. The respondent claimed relief, under Section 249 (5) of the Income Tax Act, 1952, in respect of the whole of that amount.

It was contended on behalf of the appellants that the relief should be restricted to £6,413 13*s* 6*d*, on the footing that that was the amount referable to the commercial profits of the two accounting periods. It was contended on behalf of the respondent, that, under Section 249 (5), the whole of the £7,820 8*s* 0*d* should be deemed not to form part of his total income. The Special Commissioners decided in favour of the respondent.

Held: the relief should be restricted to the £6,413 13*s* 6*d*.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of May 1959 Examinations

Notices to candidates who sat for the examinations of the Institute and of the Society last May were posted yesterday, July 24th. Full lists of successful candidates will be displayed at the Institute from 12 noon on Tuesday next, July 28th, and will be published in these columns on the resumption of normal issues.

PERSONAL

MESSRS BARTON, MAYHEW & CO, Chartered Accountants, and MESSRS BEEVERS & ADGIE, Chartered Accountants, announce that whilst fully maintaining their separate practices, they have made mutual arrangements for interchange of services at their various offices. BARTON, MAYHEW & CO will accordingly practise from the Leeds address of BEEVERS & ADGIE. BEEVERS & ADGIE will have facilities at the London offices of BARTON, MAYHEW & CO whose overseas offices will also act as agents for BEEVERS & ADGIE.

MESSRS FULLER, WISE, FISHER & CO, Chartered Accountants, of 55/61, Moorgate, London, EC2, announce that Mr FREDERIC KING, A.C.A., retired as a partner of the firm on June 30th, 1959, on taking up an appointment with FORMICA INTERNATIONAL LTD, a subsidiary of the DE LA RUE CO LTD. The practice will be continued by the remaining partners and the style of the firm remains unchanged.

MESSERS FREDERICK B. SMART & CO, Chartered Accountants, of London, announce that after nearly 40 years with the firm, Mr WILLIAM YOUNG, F.C.A., their senior partner, retired on June 30th, 1959. The practice continues under the remaining partners.

MESSRS ALLEN, BALDRY, HOLMAN & BEST, Chartered Accountants, of London, announce that they have admitted into partnership as from July 1st, 1959, Mr PETER JACKSON, A.C.A., who has been associated with them for some while and who is the son of Mr W. J. JACKSON, F.C.A., a partner in the firm.

MESSRS APPLEBY & WOOD, Chartered Accountants, of Lancashire House, Peter Street, Manchester, 2, and Victoria House, Southampton Row, London, WC1, announce that Mr ROBERT A. DUXBURY, A.C.A., retired from the partnership on June 30th, 1959, on taking up commercial commitments. As from the same date, Mr CHARLES H. ANSLOW, A.C.A., a member of the Manchester staff for many years, was admitted into partnership.

PROFESSIONAL NOTES

Mr W. P. Anderson, C.A., has been appointed to the board of The Tayside Floorcloth Co Ltd, and will continue in his present position as secretary of the company.

Mr R. M. Henderson, B.COM., C.A., has been appointed comptroller disbursements, Canadian National Railways.

Mr K. C. Fincham, B.COM., C.A., formerly accounting assistant, Canadian National Railways, has been appointed chief accountant-general of the company.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

At the recent annual general meeting of the South Eastern Society of Chartered Accountants held at the *Hotel Metropole*, Brighton, members approved a special report issued by the Committee regarding the setting up of two branches within the area.

New President

Mr W. T. Hunter, M.B.E., F.C.A., a partner in the firm of Day, Smith & Hunter, Chartered Accountants, of Maidstone, has been elected President of the Society for the ensuing year.


Mr W. T. Hunter

Articled to the late Mr W. Day, jun. in 1932, Mr Hunter was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1937 and was elected a Fellow in 1952. In June 1940, he joined the Royal Armoured Corps and in May 1941, was commissioned into the Royal Army Service Corps. He then served with the Sixth Armoured Division until he was demobilised with the rank of Major in 1946. He saw action in Africa and Italy and was awarded the M.B.E. (Military Division) in 1945.

Before the war he was a keen rugby player and cricketer, and this year celebrates twenty-five years as an official of the Maidstone Rugby Football Club. Mr Hunter became a partner in his firm in 1948.

Other officers elected for 1959–60 are:

Vice Presidents: Mr G. W. Davies, F.C.A. (Eastbourne), Mr A. S. Watson, F.C.A. (Southampton).

Hon. Secretary: Mr D. H. Tonkinson, F.C.A., Messrs Edmonds & Co, 13 Liverpool Gardens, Worthing.

Hon. Asst. Secretary: Mr T. T. Nash, A.C.A. (Hove).

THE CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The results of the first two rounds of the 1959 Singles Tournament of the Chartered Accountants' Golfing Society are as follows:

First Round

C. A. Chapman, w.o. D. G. Richards, scr.
R. Stephens, w.o. H. W. Claxton, scr.
F. C. H. Edwardson beat J. B. Selier at the 19th hole.
D. J. Hedges beat A. J. Barsham by 4 and 3.
S. Pleydell-Bouverie beat F. A. Cole by 2 and 1.
J. Latham beat N. B. Raphael by 2 and 1.
B. Ingold beat W. K. Wells by 4 and 3.
H. J. Finden-Crofts, w.o. A. D. Inglis, scr.

Second Round

H. F. Clayton beat R. Chater Blows, 2 up.
E. G. Head w.o. D. V. House, scr.
H. W. Claxton beat C. A. Chapman by 5 and 4.
D. J. Hedges beat F. C. H. Edwardson by 5 and 4.
S. Pleydell-Bouverie beat J. Latham, 2 up.
B. Ingold w.o. H. J. Finden-Crofts, scr.
J. T. Isherwood beat P. Wand by 3 and 1.
H. G. J. Foulger beat S. A. Letts, 2 up.

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Emergency Issue

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Dual Residence of Companies

THE recent decision of the Court of Appeal in *Bullock v. Unit Construction Co* (20 T.R. 37) has raised fresh problems on the all important question of a company's residence. The point in issue in that case was the place of residence of certain subsidiary companies. The parent company was a United Kingdom company resident in the United Kingdom, and it sought to deduct the amount of the subvention payments it had made to its subsidiaries, in respect of their losses. The right of the parent company to make such deductions was dependent on the residence of the subsidiaries being in the United Kingdom, within Section 20 (9) of the Finance Act, 1953.

It was admitted that the subsidiaries, which were companies registered in, and carrying on business in, East Africa, were resident there, the intention of the directors of the parent company being that the subsidiaries should be solely resident in East Africa in order that their profits might be used for development in Africa without attracting United Kingdom tax. As a result of the lack of success of the African companies, however, the parent company had been obliged to take over their management and control in order to save its investment. It was argued that the African companies were also resident in the United Kingdom at the material periods, this contention being based on the following facts: The board of the parent company instructed the boards of the African companies as to what they were to do, and the latter accepted and carried out these instructions; in effect, the directors of the parent company had taken over the management and control of the African subsidiaries. They directed the whole of their trading policy and made decisions even on minor matters. The directors of the subsidiaries were elected and were removable on the instructions of the directors of the parent company. Their minutes recorded only matters of a formal nature, and occasionally the implementation of the decisions of the parent company. The directors of the subsidiaries were not summoned to meetings nor did they sit or make any decision as a board.

It was contended by the company that the real business of the subsidiaries was carried on in the United Kingdom and that the central management and control of these companies abided there, and that, according to the principle laid down in such cases as *Cesena Sulphur Co Ltd v. Nicholson* (1 T.C. 88) the African subsidiaries had a residence in the United Kingdom. That principle is to the effect that a company resides for tax purposes where its real business is carried on, and its real business is carried on where the central management and control actually abides; or, to put it in another way, where its chief seat of management, as set up within its constitution, is to be found (see *De Beers Consolidated Mines Ltd v. Howe* (5 T.C. 198)).

Central management and control of a company's trade or business, incidentally, is made the test for determining a company's United Kingdom residence for certain other purposes of the Income Tax Acts, such as Section 468 of the Income Tax Act, 1952.

Mere ownership by a United Kingdom company of even *all* the shares of a foreign company, with the resulting power and control vested in the former over the latter, will not render the foreign company resident in the United Kingdom.

This point is well exemplified by *Stanley v. Gramophone and Typewriter Ltd* (5 T.C. 358), where a United Kingdom company held all the shares in a German subsidiary. That case appears to have established the proposition that while ownership by a person of all the shares in a company may confer on that person control over the company, thereby enabling him through

the exercise of his voting powers to impose his will on the company, yet that fact in no way diminishes in law the rights or powers of the directors, or renders the assets of the company the assets of the person enabled to exercise control.

As the learned Master of the Rolls put it in his judgment in that case:

> 'The business of the company does not thereby become his business. He is still entitled to receive dividends on his shares, but no more. I do not doubt that a person in that position may cause such an arrangement to be entered into between himself and the company, as will suffice to make the company *his agent* for the purpose of carrying on the business, and thereupon the business will become for all taxing purposes his business. Whether that consequence follows is in each case a matter of fact.'

The learned Master of the Rolls then went on to point out that the German company was not a sham company, nor a mere cloak for the English company. It had its own board of management and supervision, as German law required.

Its accounts were made up in accordance with German law. On the other hand, the English company had its own board. Its accounts and balance sheets showed its interest as the holders of so many shares in the German company, and the gross profits of the German company were in no way brought into the profit and loss account of the English company.

Another important factor in such cases is where the control of a company's affairs are vested. If the control has been vested in the directors, they legally have the power of controlling the company. Even a numerical majority of the shareholders could not impose their will on the directors in such circumstances. The directors could not be regarded as mere servants to obey the directions of the shareholders, nor as agents appointed by, and subservient to, the shareholders as principals.

While it might be true that the shareholders might have it in their power to remove the directors if they disobeyed their wishes, yet it could not be said that the shareholders were carrying on the company's business.

But then it may be said that a company may have a dual residence in much the same way as an individual may be regarded as being resident in different places.

Prior to the *Unit Construction* case, the latest authority on the question of dual residence appears to have been the decision of the Court of Appeal in *Union Corporation Ltd v. C.I.R.* (31 A.T.C. 99; 34 T.C. 259). The decision in that case was affirmed by the House of Lords (32 A.T.C. 73; 34 T.C. 279), but it should be pointed out that the question of dual residence was not dealt with by the House.

The principal authority on this point is the decision of the House of Lords in *Swedish Central Railway Co Ltd v. Thompson* (4 A.T.C. 163; 9 T.C. 342), where an attempt was made to formulate a principle. Shortly, the facts in the *Swedish Central Railway* case were as follows.

The appellant company was incorporated in the United Kingdom with the object of constructing and working a railway in Sweden. The railway was leased in 1900 to a Swedish company for a term of several years. In 1920, the articles were altered so as to remove the control and management of the appellant company from England to Sweden. Since that time, the meetings of the shareholders and of the board of directors were held in Sweden. Dividends were declared there and no part of the profits was transmitted to the United Kingdom except for the purpose of payment of dividends to the United Kingdom shareholders. In October 1920 the board, pursuant to an alteration in the articles, appointed a committee of three directors to deal with transfers, attach the company's seal to certificates and to sign cheques on the London banking account. Since that time, this committee had met regularly in London for these purposes. The company's secretary was resident in London, and the company's seal was kept at the company's registered office in London. London, moreover, was the place where the company had a banking account, where share transfers were executed and registered, where the company's accounts were prepared and audited, and where payments of dividends and debenture interest were made to English shareholders and debenture-holders.

The Commissioners found as facts that the company was controlled and managed in Sweden and that it was resident in the United Kingdom. The House of Lords held that there was evidence to support these findings. These findings were reconciled by Viscount Cave on the ground that there might be control of a company, and that a company might have a residence in more places than one.

Viscount Cave added in his judgment that an individual might have more than one residence, and on principle there was no reason why a company should not be in the same position. The central management and control of a company might be divided, and if that were so, the company would have more than one residence.

The principle laid down by this case appears to have been that while the place where the central management and control of a company is to be found determines its residence, yet if there is a division of that central management and control, the different places where such divided control was to be found would constitute different residences of the company.

Assuming then that in theory such divided control may exist in different places, how is one to determine whether or not there is such a division of control? This is the rock on which many arguments may founder, and one must seek out further tests which may assist in arriving at a conclusion one way or the other.

The principal tests which have received judicial approval are at present to be found in the Australian case of *Koitaki Para Rubber Estates Ltd v. Federal Commissioner of Taxation* ([1940] 64 C.L.R. 15, 241) and in the judgment of Lord Evershed in *Union Corporation Ltd v. C.I.R.* (*supra*).

In the latter case the Corporation was incorporated in South Africa. While its general meetings were held and its accounts were kept and audited there, the ultimate control over its affairs and its general policy was exercised by a majority of the directors who were resident in London. The minority of the directors who were resident in South Africa were not in a position to exercise such final control.

The Court of Appeal, disagreeing with the view of the Commissioners, who held that the central management and control of the company were exclusively in London, and that the company had a single residence in London, held that the central management and control were in fact divided between London and South Africa, and that the company had a dual residence.

The ground of this decision, and the principle which the case lays down, to quote from Lord Evershed's judgment, is that 'the formula "where the central power and authority abides" does not demand that the Court should look, and look only, to the place where is found the final and supreme authority'. The fact, therefore, that there may be one place in which the *final and supreme* authority of the company is exercised does not necessarily exclude a division of the central management and control of the company and, therefore, does not exclude the possibility of a dual residence.

The Court of Appeal in the *Union Corporation* case, moreover, cited with approval the test suggested by Dixon, J., in the above-mentioned Australian case. According to that test 'a finding that a company is a resident of more than one country ought not to be made *unless* the control of the general affairs of the company is not centred in one country but is *divided* or *distributed* among two or more countries. The matter must always be one of degree, and residence may be constituted by a combination of various factors, but one factor to be looked for is the existence in the place claimed as a residence of some part of the superior or directing authority by means of which the affairs of the company are controlled'.

When one is seeking to discover where the controlling power and authority of a company is being exercised, however, one must not overlook the all-important fact that it is the controlling power which may be exercised within the framework of the constitution of the company, that is, according to the memorandum and articles of the company, to which attention must be directed. Emphasis must be laid for this purpose on the word 'authority'. There may be *de facto* control in a case, in one place, but on the other hand the authority to exercise such control may be vested by the articles in other persons elsewhere. The latter would be entitled to exercise the authority, and the fact that they may not exercise it but leave the affairs of the company in the hands of others elsewhere would not divest them of the authority. The question is one of degree and there may be facts which indicate that although, theoretically, the control is vested under the company's constitution in certain persons, the latter have in fact divested themselves of all such authority and have effectively handed it over to other persons elsewhere.

This result was considered not to have ensued, however, in *Bullock v. Unit Construction Co.*

Although the boards of the African subsidiaries accepted the instructions of the parent company, and although failure to accept such instructions may have resulted in the dismissal of such boards, yet the parent company never had under the articles any authority to dictate to these boards. Under the articles and constitution of the subsidiaries it was the subsidiaries who had the authority and power conferred on them to direct the businesses of the subsidiaries, the control of the businesses being vested by the articles in their respective directors. Accordingly, there was in the view of the Court no division of control.

The control was exclusively vested under the constitution in the African subsidiaries and on that basis the residence of the subsidiaries was in Africa. The subvention payments accordingly were not deductible.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Duple Motor Bodies Limited *v.* Ostime

In the High Court of Justice (Chancery Division)
July 3rd, 1959

(Before Mr Justice Vaisey)

Income Tax – Trade – Work in progress – Valuation by direct cost method – Valuation by on-cost method.

The appellant carried on the business of building motor bodies to order, and few finished bodies were included in the work in progress at the end of an accounting period. In ascertaining the value of work in progress the company used the direct cost method, that is to say, it took as the cost of the work in progress the direct cost of materials and labour only. The alternative method, the on-cost method, is to add to the direct cost a proportion of the overheads. Both methods are recognized as correct accountancy.

It was contended by the appellant that the direct cost method was the correct method to apply, as it contained no element of arbitrary estimation of other factors. It was contended by the respondent that the on-cost method was the correct method as between the company and the Inland Revenue, because it gave the true profit of each accounting period, and because to exclude the overhead expenditure would attribute all that expenditure to the sales effected during the period.

The Special Commissioners found that 'it is very much a matter of policy for the decision of the directors of a company which method should be used'. They then indicated a preference for the on-cost method, and found that a number of items, called 'factory overheads', should be added to the direct costs, and they stated the questions of law for the opinion of the court on that basis.

Held, that the view of the Special Commissioners that the on-cost method was preferable was irrelevant, having regard to their finding that the method to be used in a particular case was a matter of policy for the decision of the taxpayer in question; and that the appeal should be allowed.

Weekly Notes

Schedule E for Medical Specialists

THE High Court has held that medical consultants who have private patients and also hold part-time appointments under regional hospital boards are assessable to income tax under Schedule E and not under Schedule D in respect of the emoluments from those appointments (*Mitchell v. Ross*, (*The Times*, July 22nd)). Mr Justice Upjohn agreed with a finding of the Special Commissioners that a specialist holding such an appointment was the instrument of the Minister of Health to carry out part of the national scheme 'to provide for the establishment of a comprehensive health service for England and Wales' in the words of the title to the National Health Service Act, 1946, and as such was the holder of a public office. The Special Commissioners had decided nevertheless that the specialist was assessable under Schedule D on the ground that the hospital appointment was a necessary part of the profession. Upjohn J. reversed this decision.

The respondent was a consulting radiologist and the decision also covered cases of a consultant ophthalmologist, a consultant pathologist, a psychiatrist, and a consultant thoracic surgeon; all holding part-time appointments. The result of the decision is that the onerous Schedule E rules relating to expenses will apply to such persons in relation to those appointments.

Time Table on the F.T.A.

THE Free Trade Association published an outline draft plan on July 22nd, at Stockholm. It provides for the total abolition of trade barriers among the proposed seven members by 1970 and in accordance with a fixed time schedule. The first 20 per cent cut in tariffs is due on July 1st, 1960. In the eighteen months following this the members will decide whether barriers should be moved more quickly on some goods, or possibly on all of them, than the time table proposes. It seems possible that the time table might be speeded up if there is no agreement with the European Economic Community (European Common Market).

The draft proposals have many of the features worked out in Paris during the abortive negotiations on the original F.T.A. There is provision for the application of escape clauses by members on grounds of balance of payment difficulties and for certain industries in clearly defined circumstances. The controversial problem of origin of imports has also been dealt with and rules have been drafted on competition, dumping, the elimination of Government subsidies and non-discrimination by public undertakings. Institutions of the F.T.A. are to be kept simple. Special restrictive rules may apply to textiles and there are to be separate agreements on agricultural products and fish.

Cotton Plan Progress

IT is interesting to note that in the redundancy scheme drawn up by the Cotton Board under the Cotton Industry Act, firms which go out of business altogether will receive compensation free of tax and will be able to sell their machinery for scrap. The first problem in the effort to reorganize the cotton industry is to eliminate surplus capacity. This must precede the plans for modernisation.

In the three sections of the industry affected (spinning, doubling and weaving – the finishing end is not being dealt with yet) a minimum figure of scrapping must be achieved for the scheme as a whole to come into operation. This means registering for scrapping at least 6 million spindles, 400,000 doubling spindles and 45,000 looms. Each section operates independently and it is possible for one part of the scheme to go in without the other two. All scrapping of machinery must be completed by March, 1960, unless an extension is obtained from the Cotton Board.

Three rates of compensation will be offered for plant registered for scrapping. The standard rate operates for those closing down machinery in operation on April 24th (the date when the Government scheme was announced). A premium rate of 25 per cent is allowed for concerns going out of business altogether and a discount of from 20 to 25 per cent below standard rate will be payable for machines already idle on April 24th. To encourage quick participation, a 5 per cent bonus is offered to concerns registering surplus plant before the end of August and the final date for acceptance of scrapping plans is end-September.

Finance and Commerce

Do It Yourself

THIS year's accounts of Metal Industries Ltd, bear the imprint 'Printed by Metal Industries, Limited'. It is a reminder that due acknowledgement should be made in this column – which also has its printing difficulties – to all those company secretaries who, with pride of accomplishment, have sent along their 'do-it-yourself' accounts for editorial consideration.

Though this topic is broached with the accounts of Metal Industries, to select any particular accounts for comment in this respect would be invidious. Each company has had its own problem in producing its annual report and accounts and has used the means at its disposal to surmount it. Some that have been brought to notice have been extraordinarily good. This column extends thanks and appreciation to all those company officials who have submitted their home-made reports and accounts.

Brewers' Problems

MONOPOLY value by which the State takes a 'cut' when granting a licence to a public house, is being increasingly criticised in the brewery industry, which is hardly surprising with the growth of clubs. Mr S. W. Jamieson, chairman of Dutton's Blackburn Brewery Ltd points out that today, when new premises are built costing, say, £45,000, there is nothing to prevent a club opening next door, free of police supervision and not subject to the many rules, restrictions, and charges to which a public house is subject. Not long ago, he says, Dutton's paid over £10,000 as monopoly value in respect of one new house, and he adds that in a town not far from where he lives, there is one club to approximately every two public houses.

Referring to the Budget reduction in beer duty, Mr Jamieson points out that all breweries carry a considerable stock of duty paid beer, varying from four weeks' requirements upwards. No repayment of duty, he says, is given where it was due prior to April 7th, although it has to be sold at the reduced price.

It is estimated that the reduction will cost the company about £20,000, including rebates to tenants on their stocks purchased at the old price which have to be sold at the lower level. The loss will, however, be considered as a charge against taxation in the 1959–60 accounts.

Near Market Value

AN important change in the balance sheet of The Morgan Crucible Company Ltd, as at March 29th, 1959, results from the adoption of 'near market value' for a quoted investment in an associated company.

Mr P. Lindsay, who this year retires from the chair and the board, points out that the value based on the market price of this investment has in past reports been greatly in excess of book value. The directors now consider it more rational to show the investment at nearer its market price, thus causing an addition of £1,798,693 which they propose to carry to capital reserve.

They are also considering whether, under the circumstances, the capitalization of part of the resulting reserve is appropriate. Last year's accounts showed that the company held quoted stock in the books at £124,427, but with a market value of £1,275,190. This year's figure in the books is £1,937,783, the stock having a market value of £2,168,456.

Retained Earnings

W. W. CHAMBERLAIN (Associated Companies) Ltd, which provides leather and materials for the footwear industry, has this year dropped the profit and loss account item from its balance sheet. It is not the first company, of course, to do so. Indeed, there are quite a number now which use some such description as 'Retained earnings' as in this case.

A note to this company's balance sheet explains that 'the practice of appropriating annual amounts to general reserve has been discontinued'. The accumulated general reserve at March 31st, 1958, of £235,000, has been added to £92,451 – the balance on profit and loss account in the 1958 balance sheet – to give the figure of £327,451 shown as 'Retained earnings at beginning of year', in this year's profit and loss account. The comparative figures have been similarly adjusted.

Shareholders' funds in the balance sheet thus consist of the subscribed capital, the capital reserve and retained earnings. The profit and loss account shows the retained earnings for the year to which is added the opening retained earnings to make the balance sheet figure.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Audit Verification Certificates

SIR, – Permit just one more voice to be added to the many that have been heard on the question of the necessity for obtaining audit verification certificates. I am an overseas reader and must therefore be excused a reply which by the time it reaches the editor will probably be of historical interest only!

Throughout all the correspondence that has been published on this obviously controversial topic there has never been mentioned one very important reason for obtaining these certificates – namely, as written evidence of verbal representations given to an auditor during the course of an audit.

An auditor who, after completion of his examination, does not seek to obtain representations from qualified officials on the question of physical verification of stocks and its valuation, and on the adequacy of bad debts reserves, the existence of contingent liabilities, etc, is failing lamentably in his duty. He may stop at obtaining these representations verbally, but surely on matters such as those mentioned above an obvious safeguard is the obtaining of written evidence that such representations have been given. One never knows when one may be called upon to refer back to papers on a previous audit, and there are circumstances in which the production of such written evidence might prove to be of grave importance. For, no matter how honest we are, our memories are not perfect, and even the most scrupulous of managing directors may, after a lapse of years and under unfavourable circumstances, forget, or even deny, that such assurances were ever given.

During my many years in the profession I have had several opportunities to be thankful that the firm I have worked for has always made it a standard auditing procedure to obtain these certificates. There have also been one or two instances in which the failure, for one reason or another to obtain such certificates has given cause for great regret.

Incidentally, the acquiring of what is known as a 'letter of representation' is standard auditing procedure among certified public accountants in the United States. With my experience of American auditing procedures I don't think one could say, as some correspondents have suggested in your columns, that such a step is merely to save the auditor the trouble of carrying out a satisfactory detailed check of the company's records.

Yours faithfully,

Malacca. F. C. BENNETT.

Accounting Education

SIR, – In discussions that are taking place about ways of improving the education and training of articled clerks it is pleasing to see increasing emphasis upon what can be done in the class room by good oral tuition. I trust that sight will not be lost of the contribution that can be made by the colleges of commerce and the departments of commerce in our large technical colleges.

A number of these colleges and departments of commerce are staffed in a way completely different from ten or fifteen years ago with full time qualified specialist lecturers in accounting, law, economics and finance. A certain amount of use has already been made of these facilities but far more advantage could be taken of them. There is a danger in assuming that the only oral tuition available to articled clerks in the large centres of population is in the universities.

Yours faithfully,

E. V. ROBERTS, B.COM., A.C.A.
Principal,
LEEDS COLLEGE OF COMMERCE.

Leeds, 2.

Current Law

Passing of Property in Incomplete Goods

THE defendant company in *McDougall v. Aeromarine of Emsworth Ltd* ([1958] 3 All E.R. 431), agreed to build a yacht for the plaintiff. By the terms of the contract, payment was to be made by instalments and the property in the yacht was to pass to the buyer on the payment of the first instalment. There was no evidence that at the date when the first instalment was duly paid, work on the vessel had been started, or that any equipment, materials, fittings or machinery had been purchased by the defendant specifically for its construction. When the yacht was delivered it was found to be unseaworthy and the plaintiff refused to accept it. The defendant then carried out further work on the vessel, but unsuccessfully. The defendant then offered to do further work to remedy the defects, but, as Diplock, J., found, on terms which involved a variation of the contract.

The plaintiff claimed to treat the defendant's action as a wrongful repudiation, and to rescind the contract. Diplock, J., held that he was entitled to do so, and was entitled to recover the payments which he had made as money paid for a consideration which had wholly failed. His lordship held that the contract was not effective to pass the property in the yacht on the payment of the first instalment of the purchase price, and that, even if it had been, it would have passed it defeasibly so as not to defeat the plaintiff's right to reject the goods. The contract provided for a delivery date but with a proviso that this could not be guaranteed.

Diplock, J., held that the defendant was bound to deliver the vessel within a reasonable time after this date and had failed to do so: applying Section 10 (1) of the Sale of Goods Act, 1893, the obligation to deliver within this time was a condition, which had been broken.

Withdrawal of Bankruptcy Petition

A CREDITOR obtained judgment against the debtor in *Re Mann (A Debtor), Ex parte The Debtor v. Harrods Ltd* ([1958] 3 All E.R. 660), and subsequently founded a bankruptcy petition on the fact that the sheriff had levied execution against the debtor and had been in possession of his goods for twenty-one days. Before the hearing a third party paid the debt and the petitioner accordingly sought leave, under Section 5 (7) of the Bankruptcy Act, 1914, to withdraw the petition. The registrar adjourned the hearing for evidence as to any further debts due from the debtor and the matter was subsequently further adjourned because there seemed to be a prospect of all the debts being paid in full. This did not, however, happen, and at the further adjourned hearing the registrar made a receiving order. The Divisional Court of the Chancery Division discharged the receiving order because no petitioner had been substituted for the original petitioner, a course which might have been followed under Section 111 of the Act.

In remitting the case to the registrar for him to ascertain whether any, and if so which, of the creditors desired to be substituted, the Divisional Court left open the question whether, in view of the lapse of time, there was now any available act of bankruptcy or not. It would be for the registrar to give the original petitioner leave to withdraw his petition.

Judgment Debt: Charge on Fund in Court

SECTION 136 of the County Courts Act, 1934, provided that a County Court judgment could be removed to, and rendered equivalent to a judgment of, the High Court, but Section 34 (3) of the Administration of Justice Act, 1956, provides that Section 136 shall cease to have effect. As Danckwerts, J., said, in *London County Council v. Monks* ([1958] 3 All E.R. 670), the reason for the passing of that provision apparently was that Section 34 was dealing with the abolition of the writ of elegit, while Section 35 (1) provided a different method of securing payment out of land or out of proceeds of land on a judgment which had been obtained in the appropriate Court. That case shows that Section 34 has a result which was perhaps unforeseen. The plaintiff council sought an order charging with the amount of a debt which was the subject of a County Court judgment in the council's favour a sum lodged in the High Court to the defendant's credit.

Danckwerts, J., held that, in the light of Section 34, he had no jurisdiction to make the order sought.

Executor's Denial of Landlord's Title

IN *Warner v. Sampson and Another* ([1959] 1 All E.R. 120), the Court of Appeal reversed the decision of Ashworth J. ([1958] 1 All E.R. 44), that a defence put in by one of two executors of a deceased tenant in an action by the landlord for possession on the ground of breaches of covenant amounted to a denial of the landlord's title entitling him to forfeit the lease. Overruling *Kisch v. Hawes Brothers, Ltd* ([1935] Ch. 102), the Court held that the defence merely took the form of a general traverse putting the landlord to proof, and did not give rise to a forfeiture, since it did not assert that the title to the reversion was in the tenant or a stranger.

This decision is particularly satisfactory, especially in view of Ashworth, J.'s, decision in further proceedings, *Warner v. Sampson and Another (No. 2)* ([1958] 1 All E.R. 314), that the type of case was not one where relief from forfeiture might be granted: for a tenant irretrievably to lose his lease in such circumstances would be a matter of great hardship.

Notes and Notices

CLASSIFIED ADVERTISEMENTS

Emergency Service

It is regretted that it has not been possible to include any classified advertisements in the restricted issues of *The Accountant* which have been published during the period of the printing dispute. As a special measure, however, duplicated lists of advertisements, under the Situations Vacant and Wanted headings, are available and may be obtained free upon request from The City Library, 27–28 Basinghall Street, London, EC2, or by post, on receipt of a stamped addressed envelope, from *The Accountant* Advertisement Offices, 4 Drapers' Gardens, London, EC2.

PERSONAL

MESSRS T. & H. P. BEE, Chartered Accountants, of Preston, Fleetwood and Blackpool, announce with regret the death of Mr J. S. WALKER, F.C.A., a partner in the firm. They also announce that as from July 8th, 1959, Mr RICHARD HALL, A.C.A., has been admitted as a partner in their Preston practice and Mr KENNETH RICHMOND, A.C.A., has been admitted as a partner in their Fleetwood practice.

Mr A. FORRESTER, A.C.A., announces that, following the recent death of his partner Mr HARRY ROGERS, F.C.A., (reported in *The Accountant* of June 27th) he is continuing the practice of HANDLEY, WILDE & CHARLTON, Chartered Accountants, of 30 Brown Street, Manchester, 2, under the same style and at the same address.

MESSRS CARTER, GREIG & Co, Chartered Accountants, of 5 St. Andrew Square, Edinburgh, 2, and 44 Chandos Place, London, WC2, and MESSRS J. W. & R. N. OSWALD, Chartered Accountants, of 8 Queen Street, Edinburgh, and 4 York Place, Edinburgh, announce that they have entered into a working arrangement as from July 1st, 1959. The practices will be continued under the present names and at the above addresses. MESSRS CARTER, GREIG & Co also announce that Mr G. W. FRASER, C.A., has taken up a commercial appointment and leaves the partnership on August 31st, 1959.

MESSRS JENKS, PERCIVAL, PIDGEON & Co, Chartered Accountants, of 14 Finsbury Circus, London, EC2, announce that Mr J. C. GARDINER, F.C.A., has retired from the firm as from July 31st, 1959, in order to take up the full time appointment of executive director with Sears Holdings Ltd. The practice will be continued by the remaining partners under the same name. Mr GARDINER will remain available for consultation.

PROFESSIONAL NOTES

Mr H. L. Croxton, A.C.A., formerly secretary and chief accountant of Chivers & Sons Ltd, has been elected a director of the company.

Mr J. D. Robinson, D.S.C., F.C.A., has been appointed a director of Cooper McDougall & Robertson Ltd.

Sir Julian Pode, A.C.A., managing director of the Steel Company of Wales, has been elected the first president of the Cardiff branch, British Institute of Management.

Mr W. S. Risk, B.COM. (Edin.), C.A., F.C.W.A., has been appointed regional director for the south eastern region of British Bakeries Ltd.

COMPANY TAXATION ADVISORY PANEL

Changes in Membership

Sir William Carrington, F.C.A., has been appointed to succeed Sir Bernhard Binder, F.C.A., as a member of the Advisory Panel which assists the Chancellor of the Exchequer on the administration of Section 468 of the Income Tax Act, 1952 (relating to applications by United Kingdom resident companies to emigrate).

Sir James Millard Tucker, Q.C., succeeds Lord Kennet as chairman of the panel, and Mr A. H. Carnwath succeeds Sir Kenneth Swan, Q.C. The three former members of the panel had all served since 1951.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

At a recent committee meeting of the Manchester Society of Chartered Accountants, Mr F. H. Walsh, F.C.A., was elected President for the ensuing year.

Mr F. H. Walsh

Mr Walsh, who is a partner in the firm of Kneeshaw, Moffatt & Co, Chartered Accountants, of Burnley and Blackpool, was articled to the late Mr Percival Parker of Preston and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1935. He went to the firm of John Adamson, Son & Co, Chartered Accountants, of Manchester, in the same year and in 1941 joined his present firm, becoming a partner in 1943.

Elected to fellowship of the Institute in 1949, Mr Walsh was appointed a member of the Manchester Committee on the formation of the Society's North Lancashire Branch in 1948, of which branch he was honorary treasurer until 1954 and chairman from 1956–58. He is a member of the Royal Lytham Golf Club and an honorary vice president of the Fylde Rugby Club.

Other officers of the Society for 1959–60 have been elected as follows:

Vice President: Mr A. H. Walton, F.C.A.
Hon. Treasurer: Mr T. G. Wood, F.C.A.
Hon. Secretary: Mr J. V. Eastwood, F.C.A., 46 Fountain Street, Manchester, 2.
Hon. Librarian: Mr G. W. Murphy, B.A.(COM), F.C.A.

PREVENTION OF FRAUD

The 1959 edition of the annual publication *Prevention of Fraud (Investment)*, giving particulars of persons and firms authorized to carry on the business of dealing in securities, has now been published and is available from H. M. Stationery Office, price 3*s* net; by post 3*s* 2*d*.

Emergency Issue

THE

ACCOUNTANT

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Valuing Work in Progress

THE computation of any trading profit for a specific accounting period must have some regard to the value of trading stock in hand at the beginning and at the end of the period if it is to have much claim to accuracy, whether for income tax or any other purpose. Accountants, who set the standard in these matters, are by profession a cautious body of men and their practice of enlightened pessimism has received general adoption. Thus it has come about that the basis of valuation of stock generally applied is cost or market value, whichever is the lower. In other words, the trader debits a loss before, in a sense, it is incurred, but ignores a potential profit until it has in fact been secured.

As between the trader and the income tax gatherer this basis gives him the best of both worlds but it is too late for the Inland Revenue to challenge it now. It was judicially accepted many years ago in *Whimster & Co. v. C.I.R.* (4 A.T.C. 570) and has been recognized by no less a tribunal than the House of Lords. Moreover if he likes, the trader can exercise the option between market value and cost for each individual item of stock. Indeed as long ago as 1945 a recommendation of The Institute of Chartered Accountants in England and Wales[1] described this as being more prudent, and not less proper, than taking aggregate market value or aggregate cost. An Inland Revenue attack on this pick and choose method was defeated in 1949 (*C.I.R. v. Cock, Russell & Co.* (28 A.T.C. 393)).

Work in progress, being also held for ultimate disposal in the course of trade, is in many respects in the same case as stock; but as it is not normally saleable at all, in the nature of things, then it would be illogical to bring in merely the market value. Thus, one is left with cost, subject to the proviso that if the cost figure is unlikely to be realized when the work in progress is finished, then some deduction may rightly be made on that account.

But before this point is reached one has to decide what elements must be taken into account in arriving at cost. Clearly the cost of the materials purchased, and the cost of the direct labour applied to them in creating the work in progress are indispensable elements. To these must be added the cost of transporting the materials and the workmen to the site. All these can be regarded as 'direct cost'. In the Institute recommendation referred to above there is a mention of another element (in relation to manufactured stock-in-trade), namely 'indirect or overhead expenditure incidental to the class of stock-in-trade concerned' which 'can only be a matter of calculation', as against the direct elements which 'can be ascertained with substantial accuracy'. The recommendation goes on to observe that, to avoid distortion caused by arbitrary additions for indirect or overhead expenditure, this element is in some cases eliminated.

It is implicit in any basis of valuation that it be applied equally to both opening and closing dates of the same accounting period, so there is a natural check on wide fluctuations. Moreover, in the ordinary way one accounting period follows another over a long period, the same basis being used throughout, so that over the period as a whole the matter is not usually very vital.

The problem came to a head in *Duple Motor Bodies Ltd v. Ostime* in which Mr Justice Vaisey gave judgment on July 3rd (briefly reported in last week's issue). The company built motor bodies to order, to fit chassis supplied by its customers, and in consequence very few finished bodies were included in work in progress at the end of any particular accounting period. Since

[1] Recommendation 10. 'The Valuation of Stock-in-trade', reproduced in *The Accountant* dated June 16th, 1945.

1924 the company and its predecessors had used the direct cost method in valuing the work in progress for the purpose of its annual accounts. It argued that for the purposes of ascertaining the true profit for tax purposes, a method which contained no element of arbitrary estimation was preferable to one which did contain such an element. The tax inspector rejected this, however, and the company was obliged to appeal against the income tax and profits tax assessments made on it.

The inspector's contention was that:

> 'where there is more than one method for arriving at the profits for a relevant period, that one which shows more accurately the position between the Revenue on the one hand and the taxpayer on the other so as to give the true profit of a particular accounting period ought to be adopted; that, accordingly, in arriving at the company's true profits for income tax purposes, the value of work in progress and finished goods at the end of an accounting period must be credited in the accounts at full cost, that is to say, the direct cost, with the addition of the proportion of overhead expenses referable to such work in progress and finished goods'.

The inspector further argued that to exclude all overheads was in effect to allocate the whole of such expenditure to the sales which had been effected in the accounting period, which could not be right.

At the appeal hearing before the Special Commissioners, two chartered accountants gave evidence on behalf of the company; one of them being Mr H. W. Sydenham, F.C.A., who was also its chairman. Another chartered accountant gave evidence on behalf of the Revenue. On that evidence, the Special Commissioners found as follows:

> 'As regards the two methods . . . (the direct cost and the on-cost method) we find that . . . both methods are recognized by the accountancy profession as correct accountancy. . . . Professional accountancy opinion is rarely static on questions of this kind. We find that up to fairly recently the weight of accountancy opinion was in favour of the on-cost method, but that now the trend in the profession is slightly away from this method. . . . we find – and this naturally has caused us difficulty – that the accountancy profession as a whole is satisfied that either method will produce a true figure of profit for income tax purposes.'

Commenting on this in his judgment, the learned judge said he had some difficulty in appreciating why this finding should put the Special Commissioners in any difficulty. They went on to find that:

> 'it is very much a matter of policy for the decision of the directors of a company which method should be used'.

However, notwithstanding these findings, the Special Commissioners finally decided, as a matter of principle, in favour of the inspector's contention that the 'on-cost' method should be applied in the company's case.

The company expressed dissatisfaction with this decision and called for a stated case. It was in this stated case that the findings referred to above were set out. In the same document the Special Commissioners expatiated on the advantages of the on-cost method but also on the difficulties of applying such a method in practice, finally holding that the on-cost method should be applied.

Allowing the company's appeal with costs, Mr Justice Vaisey said:

> 'I can come to no conclusion other than that the directors have elected to use the direct cost method of arriving at the value of the work in progress, and if I myself had been on the board of directors and had come to another conclusion and had preferred to use the on-cost method, in spite of all the difficulties, it would not, it seems to me, be open to argument. I am not here to tell the directors what it would be good for them to decide. If I have come to the conclusion that they have a right to decide as between the two methods, I think that my own view is irrelevant . . . with great respect to them I think that the view of the Commissioners is equally irrelevant, considering that they came to the conclusion that it was not for them but for the . . . directors to decide as between the two methods'.

His lordship rejected the Crown's invitation to him to send the case back to the Special Commissioners for reconsideration.

The Accounting World

AUSTRALIA

Australian Institute's New Charter

A MILESTONE in the history of The Institute of Chartered Accountants in Australia was reached on June 17th when it received the grant of a supplemental Royal Charter – thirty-one years almost to the day after the grant of the original Charter by King George V on June 19th, 1928.

The principal changes in the revised constitution, which had been submitted for the approval of the Privy Council, were outlined in *The Accountant* of June 28th last. These have been given effect in the new Charter and bye-laws, with the result that practising members may now dispense with the suffix '(Australia)' or '(Aust)' in using the Institute designation except when used outside the Commonwealth of Australia, and members on the Special List, i.e. in commerce, industry or the public service (now approching 30 per cent of the membership), may now use the initials 'F.C.A.' or 'A.C.A.' – a privilege hitherto denied them. The designation 'Chartered Accountant' is still reserved exclusively to members in public practice, either as principals or clerks.

UNITED STATES

C.P.A. appointed Navy Secretary

MR WILLIAM B. FRANKE, C.P.A., who was Vice-President of the American Institute of Certified Public Accountants in 1935–36, has been appointed Secretary of the Navy in the United States administration. Mr Franke was formerly senior partner in the firm of Franke, Hannon & Withey, resigning in 1954 to become Assistant Navy Secretary. He was appointed Under-Secretary in 1957.

Accounting Hall of Fame

THE name of Marquis G. Eaton, President of the American Institute in 1956–57, whose untimely death was announced in *The Accountant* of April 19th, 1958, has been honoured by his posthumous election to the Ohio State University's Accounting Hall of Fame. Mr Eaton, who led the American delegation at the Seventh International Congress of Accountants in Amsterdam in 1957, was a tireless and inspiring worker in the interests of the American Institute and of the profession in the United States for many years.

Investigation Discloses Apparent Shortage

AFTER the Olen Company and H. L. Green Co Inc were merged last November it is reported that the auditors of the latter company were asked to make investigation of the Olen unit, no audit having been made at the time of the merger. The investigating accountants discovered an apparent shortage, the 'principal items' being 'an overstatement of merchandise inventories and a failure to record accounts payable'. Mr Maurice E. Olen, who had become president of the merged company, resigned and on April 17th the H. L. Green Company filed a suit in the New York Supreme Court against him for $3,300,000. The business and financial editor of the *New York Herald Tribune* is said to have congratulated the auditors on their efforts 'to disentangle the situation'.

National Economic Accounting

WRITING in *The Accounting Review* (Menasha, Wisconsin), Professor Dwight P. Flanders, of the University of Illinois, urges that the subject of social accounting or, as he prefers it, national economic accounting, should be included in their courses by both economists and accountants. The variables of national economic accounting rest on economic theory but accounting theory is needed, he said, to judge the best means for expressing the relationships of these variables. The accountant relies on the economist to interpret and explain the economic significance of the values discovered by the accounting process. But accountants should bear the responsibility for inventing new accounting techniques or modifying the old.

Reinvestment Depreciation Proposed

MR MAURICE PELOUBET, C.P.A., who long ago indicted the profession for its failure to tackle the problem of correcting for inflation the depreciation charge for assets of long life, has written another forceful article in *The Controller*, New York, proposing a practical present compromise. He advocates reinvestment depreciation which would permit the taxpayer to deduct, as additional depreciation, the difference between the value of property retired at historical cost and any new investment in comparable depreciable property in current dollars. Mr Peloubet says that a Bill to this effect has been introduced in Congress, proposing the use of an index number compiled by the Secretary of the Treasury.

Stating that the difference between current value and historical cost is variously estimated at between $4 billion and $6 billion per annum, Mr Peloubet says that, at 52 per cent, a $6 billion extra allowance would mean that the taxpayer would pay $3.12 billion less tax per annum. But since the old property must first be retired and an amount equivalent in current dollars to the old historical cost must be spent on new depreciable property, as a prerequisite for the income tax charge, in the long run there must be a substantial gain in revenue from income tax. For after the initial deduction of reinvestment depreciation, the depreciation for life would be calculated on the reduced base, equal to the old historical cost. If

the income tax generated by the reinvestment expenditure compensated for the first year's additional allowance, there would be additional income tax paid over the life of the property, equivalent to the tax on the amount by which the reinvestment value of the asset had been reduced.

CANADA

Business Management and the Accountant

THE accountancy profession must hold its standards of training for the role of auditor and yet, as it comes to accept growing responsibilities in the fields of management, auditors more than ever before should be broadly-educated men with open minds and some appreciation of the diverse types of ability and judgment required of the executive. This is the view of Mr W. H. Gray, C.A., past chairman of the Provincial Institutes' joint committee on education and examinations, writing in the *Canadian Chartered Accountant* for May. He says management accounting is a natural field for post-graduate study, but the demands for different types of post-graduate training for chartered accountants would be too diverse to justify the profession, as such, taking active steps to enter this field. The profession must, however, says Mr Gray, accept the responsibility of indoctrinating young chartered accountants with a greater appreciation of the parts played by all the actors in the great drama of business management.

Weekly Notes

Estate Duty and Voting Control

THE Court of Appeal has reversed the decision of Mr Justice Danckwerts in *Barclay's Bank Ltd (Shipside's Executor) v. C.I.R.* (*The Accountant*, February 7th, 1959.) The deceased was one of four trustees holding shares in a private company on trusts of a settlement made by him, under which trusts he had no beneficial interest. As his name appeared first on the register of members he was the trustee entitled – as against the company – to exercise the trust shares' voting rights. If these rights were counted with the rights conferred by his own shares in the company, the deceased had voting control and accordingly his own shares would fall to be valued on the assets basis pursuant to Section 55 of the Finance Act, 1940. Contending that they should be so counted, the Inland Revenue cited various cases on the topic of control for excess profits tax and profits tax purposes.

Mr Justice Danckwerts refused to apply these cases, as they turned on different wording. He said the deceased was merely one of four and was bound to cast the trust votes in accordance with the decisions of the trustees as a whole. However, the Inland Revenue took the case to the Court of Appeal, which court applied the profits tax cases and allowed the appeal. Leave has been given to appeal to the House of Lords.

Racecourse Betting Control Board Appeal

ON July 29th, the House of Lords dismissed the appeal of the Racecourse Betting Control Board against the Court of Appeal decision in favour of the Inspector of Taxes (*The Accountant*, June 21st, 1958).

The Control Board was established by statute to legalize the use of totalizators on race-courses which it approved and it is bound to distribute the whole of the stake money to the winners, subject to deduction of a percentage. This percentage is paid into a totalizator fund, which the Board is bound to apply, after deducting all taxes, rates, charges and working expenses, in accordance with an approved scheme, 'for purposes conducive to the improvement of breeds of horses or the sport of horse-racing' and 'for purposes conducive to the advancement and encouragement of veterinary science and education'.

Pursuant to the scheme, payments were made to a fund out of which race-courses were improved and prize money increased. Other sums were spent in making travelling allowances to owners and trainers, runners' allowances, payments to the Jockey Club, the National Hunt Committee and so on. It was held that such payments were not deductible in arriving at taxable profits, since they were not made wholly and exclusively for the purposes of the Board's business.

Buoyant Industrial Output

IN June, industrial production according to the official index was maintained at the record level reached in May. This means that for the second quarter of the year it increased by between 3 and 4 per cent compared with a year earlier. The first quarter had shown an advance of only 2 per cent.

Buoyancy in the retail trade seems to have been the main factor in keeping output high. There is still an element of sluggishness in the performance of the capital goods industries, although the recovery is becoming more widely based. In the building industry, good weather has enabled a high level of activity to be maintained but most of it has been for houses and public utilities. Benefit is not likely to accrue from the rising volume of industrial building schemes planned until the last quarter of this year. A vigorous uprising in the last quarter is also expected from the steel industry where recovery has so far been rather uneven.

Next Week's Issue

Normal publication of *The Accountant* will be resumed with next week's issue which will contain the results of the May examinations of The Institute of Chartered Accountants in England and Wales.

Finance and Commerce

Too Late

BLACKWOOD HODGE LTD, the company in Britain building the great 'Euclid' earth-moving equipment – the machines that move mountains – have produced a most impressive report this year with colour photos of the Kariba Dam showing fleets of 'Euclid' 15-ton rear dump vehicles, a view of the N'Changa copper mine in Northern Rhodesia (with 'Euclids'), and so on.

But the company is holding its annual meeting no less than nine months after accounting date. The primary purpose of a report and accounts is to convey to shareholders information regarding the company's finances which is as up to date as possible. Compared with this fundamental purpose, pictures – though perhaps adding general interest to the publication – are of minor consequence.

Caterpillar Tractor of America, in roughly the same line of business, produce annual accounts to December 31st by the end of January and follow this up with monthly figures to the American Stock Exchanges and 'quarterlies' to stockholders.

Auditor's Duties

DISCUSSION at the recent annual meeting of Hide & Company Ltd, the department store, on the extent of an auditor's duty raised several vital points. Shareholders in this company have been through five or six hectic years culminating in the appearance of the former chairman, Mr L. P. Jackson, in the High Court and a commendation from the learned judge for the auditors.

The meeting was the first gathering of the company since the Court judgment – a well-conducted and orderly meeting under the chairmanship of Mr C. L. Walker, F.C.A., but nevertheless somewhat critical of the auditors at one point. Could not the auditors have done something more than qualify their reports? it was asked. Could they not have resigned? For the auditors, it was explained that they had taken all proper action and that in remaining at their post, they had the support of legal and professional advisers.

New Chapter?

At that, the subject may close – or it might well be that more may be heard on the general issue: more power for auditors or possibly more oversight of company administration by the Board of Trade. Could not the Board of Trade be made responsible for opening an inquiry, the meeting debated, when shareholders fail to act on an auditors' qualified report? Or, even in the event of action being taken, if adequate explanations are not forthcoming?

Hitherto, shareholders have been left to order their affairs within the framework of the Companies Act; recent events have shown, however, how a strong personality at the top can dominate a company meeting, so that matters demanding urgent inquiry are neglected. In this case, a company chairman, who has now left the scene, swung meeting after meeting in his favour – despite the watchdog's bark – until the slip was made that resulted in his appearance in Court.

Is that where it ends – or does it presage a new chapter in the story of company administration – and auditors' professional responsibility?

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Collco Dealings Ltd *v.* Commissioners of Inland Revenue

Lucbor Dealings Ltd *v.* Commissioners of Inland Revenue

In the High Court of Justice (Queen's Bench Division) – May 6th, 1959,

(Before MR JUSTICE DONOVAN)

Income tax – Claim to exemption – Residence in Republic of Ireland – Appeal – Claim allowed by appeal commissioners – Stated case demanded by defendants – Whether tax repayable immediately – Income Tax Act, 1918, Section 40 (3) – Finance Act, 1925, Section 29 (3) – Finance Act, 1926, Section 25 – Income Tax Act, 1952, Sections 5, 8, 63, 64, 450, Schedule VI, Schedule XVIII, Part III, paragraph 4 (3).

The plaintiffs claimed exemption from income tax in respect of dividends under paragraph 4 of Part III of Schedule XVIII to the Income Tax Act, 1952, on the ground that they were resident in the Republic of Ireland and not in the United Kingdom. On appeal the Special Commissioners allowed the claim and made an order for repayment of the tax in question. The defendants demanded a stated case for the opinion of the High Court. The plaintiffs claimed to be entitled to repayment of the tax in question notwithstanding the demand for a stated case.

Held: as the defendants had required a case to be stated, the plaintiffs were not entitled to have a repayment of tax while the appeal by way of stated case was pending.

For Students

AUDITING

Practical Problem

Question

In what circumstances is it necessary to disclose in the published accounts of a limited company the amount paid to its auditor for:

(*a*) audit fee;
(*b*) accountancy charges;
(*c*) expenses?

Answer

(*a*) Where the audit fee is not fixed by the company in general meeting, the amount thereof must be disclosed in the published profit and loss account.

(*b*) Accountancy charges may be included under general administration expenses – it is not necessary to disclose this item in the published profit and loss account.

(*c*) Any sums paid by a company in respect of auditor's expenses must be included in the total disclosed under (*a*) above.

TAXATION

Profits Tax: Directors' Remuneration

This note deals only with the law for chargeable accounting periods ending before April 1st, 1959, and does not take account of the changes contained in this year's Finance Act. These will be dealt with in a subsequent note.

In adjusting the profits of a director-controlled company, all remuneration paid and annual payments to directors (except whole-time service directors) must be disallowed but an allowance *for remuneration only* can be claimed. This allowance cannot exceed the remuneration actually paid and is the greatest of:

(*a*) 15 per cent of the adjusted profits (before making any deduction for the remuneration of directors other than whole-time service directors) with a maximum deduction of £15,000; or

(*b*) (i) £2,500; or

(ii) where for more than half the accounting period there are two or more directors who devote substantially the whole of their time to the company's affairs (but whose shareholding prevents their being classed as whole-time service directors) the £2,500 limit is extended to:

	£
for 2 such directors ..	4,000
,, 3 ,, ,, ..	5,500
,, 4 or more directors	7,000

When computing the allowable remuneration, directors of this type should be arranged in descending order of remuneration. The allowance for the highest-paid director cannot exceed £2,500. But if the highest-paid director receives less than £2,500, the deficiency below £2,500 may be set against the excesses over £1,500 of other directors whose remuneration exceeds £1,500. Any amount by which a lower-paid director's remuneration falls short of £1,500 can never be used against an excess over £2,500 of the highest-paid director, or an excess over £1,500 of any other director.

It is important to remember that if this extension is used no allowance whatsoever can be made for directors who do not work full time, whereas by using the '15 per cent of profits' method it may be possible to obtain allowance for them.

Examples

	Company 1	2	3	4
	£	£	£	£
Directors working full time but not whole-time service directors:				
A.	2,600	2,100	4,000	1,800
B.	1,300	1,800	3,000	1,700
C.	1,200	1,700	2,000	1,600
D.	—	1,000	1,500	1,300
E.	—	—	1,000	500
Other directors (part-time) ..	1,000	1,000	1,000	1,000
	£6,100	£7,600	£12,500	£7,900
Allowed:				
A.	2,500	2,100	2,500	1,800
B.	1,300	1,800	1,500	1,700
C.	1,200	1,600	1,500	1,600
D.	—	1,000	1,500	1,300
E.	—	—	—	500
Others	—	—	—	—
	£5,000	£6,500	£7,000	£6,900

In the case of company 2 the £400 by which the remuneration of A. falls short of £2,500 is used to help B. (£300) and C. (£100), the remaining £100 of C.'s remuneration being unrelieved. For company 3 the maximum is applied to each director. In respect of company 4 it is possible to claim an allowance for all five directors who work, as A.'s remuneration 'falls short' of £2,500 by £700 and this sum exceeds the 'excesses' of B. and C. over £1,500.

No allowance for the part-time directors is made in any of the above companies but if in company 1 the adjusted profits (after adding back the remuneration shown) had been £38,000, it would have been better to claim 15 per cent of £38,000=£5,700, as this is more than the allowance made by the method above and is within the total of £6,100 paid to *all* directors other than whole-time service directors.

Remuneration of part-time directors must be considered where the directors' remuneration paid does not exceed £2,500. Assuming A. and B. work full time and C. and D. part time and their remunerations are respectively £900, £600, £200 and £200, the full amount of the directors' remuneration paid would be allowable.

Where a company is director-controlled for only part of an accounting period, the allowance is computed on the basis of remuneration for the full period, the net disallowance then being proportionately reduced to the period for which the company is controlled.

Any amounts assessed on the directors as benefits for P.A.Y.E. purposes are treated as remuneration.

Finally, it should be noticed that for accounting periods falling before March 31st, 1958, all annual payments to directors (other than whole-time service directors) and any disallowed remuneration, must be treated as a distribution. For periods bridging this date the total for the full accounting period is proportionately reduced to the period falling before the date.

COMPANY LAW

Receiver and Manager

Practically every debenture issued by a company which gives the holders a floating charge, enables the debenture-holders to appoint a receiver and manager in certain circumstances. The circumstances will be specified in the debenture, and are usually those which would prejudice the rights of the debenture-holders.

A receiver and manager is appointed primarily to *receive* the moneys currently payable to the debenture-holders (the capital sum invariably becoming repayable on the same eventuality). If the company had sufficient funds on a bank account, for example, the receiver and manager could carry out his functions within one day by appropriating such a sum as was necessary.

The power of *management* is usually necessary since no fund of ready cash exists, and the receiver must 'syphon off' the required amount by some means. Merely to step in and sell up various of the company's assets would be likely to bring the business to a standstill, and the best means for the moneys to be obtained are for the receiver to carry on the company's business and collect moneys as and when they became due to the company in the ordinary course of business.

As manager, he will effectively take over from the directors of the company the complete control of the company; the directors remain in office, but their powers are in abeyance until the receiver and manager has collected sufficient funds to satisfy the debentures and then withdraws. Usually, of course, the receiver and manager relies upon the co-operation of the directors to assist him in the detailed management of the company since he is frequently an accountant or solicitor with no technical knowledge of the company's trade.

The receiver and manager may be the agent of the debenture-holders, but he is usually the agent of the company under the terms of the debenture. His remuneration is invariably the liability of the company.

It is not necessary for debenture-holders to enlist the aid of the Court to secure the appointment of a receiver and manager, though this is sometimes done to ensure that his position cannot be challenged on any ground.

A receiver and manager must notify the Registrar of Companies of his appointment, and must file an abstract of his receipts and payments with the Registrar every six months.

A note of the fact that a receiver and manager has been appointed must be shown on every order, invoice and letterhead issued by the company.

If the company should go into liquidation during the period of office of the receiver and manager, the latter's power to manage is automatically terminated, but the liquidator will not be able to take possession of the assets until the receiver has collected the sums he requires and retires.

Notes and Notices

PERSONAL

MESSRS ERNEST A. FOX & CO, Chartered Accountants, of 35 Crook Log, Bexleyheath, Kent, announce that as from July 1st, 1959, Mr DENIS GEORGE STOCKER, A.C.A., who has been associated with the firm for several years, has been admitted into partnership. The name of the firm will remain unchanged.

MESSRS BERNARD PHILLIPS & CO, Chartered Accountants, of 76 New Cavendish Street, London, W1, announce that as from July 31st, 1959, Mr BERNARD PHILLIPS, F.C.A., has withdrawn from the practice which has been re-constituted as follows: MESSRS H. NEWMAN, F.C.A., and L. H. COHEN, F.C.A., will be continuing in amalgamation with Mr MICHAEL HARRIS, F.C.A., at present of 45 Whitehall, SW1. The new partnership will practise under the firm name of NEWMAN, HARRIS & CO, Chartered Accountants, at 18 Harcourt House, 19 Cavendish Square, W1. Telephone: Langham 3407–8 and 2261–2.

MESSRS SMEDLEY, RULE & CO, Chartered Accountants, of Bush Lane House, Bush Lane, Cannon Street, London, EC4, announce that Mr P. V. CHESSON, C.A., has been assumed a partner of the firm as from July 1st, 1959.

MESSRS ALFRED G. DEACON & CO, Chartered Accountants, announce that they have admitted as partners in the Leicester firm Mr HUGH DIXON, A.C.A., and Mr JOHN DAVISON, A.C.A., both of whom served their articles with the firm. Mr HUGH DIXON has also been admitted a partner in the London firm.

MESSRS REEVES & ROTHWELL, Chartered Accountants, of Capel House, New Broad Street, London, EC2, announce that as from August 1st, 1959, they have taken into partnership Mr B. A. GEE, A.C.A., who has been a senior member of the staff of their associate firm, MESSRS LONGCROFT, SMITH & CO, since 1953. The style of the firm will remain unchanged.

MESSRS ARTHUR YOUNG & CO, of Garrard House, 31–45 Gresham Street, London, EC2, announce that as from July 1st, 1959, they have taken into partnership Mr J. O. R. DARBY, A.C.A., who has been with the firm for some years.

MESSRS OSBORNE, WARD & CO, Chartered Accountants, of Avon House, 356-366 Oxford Street, London, W1, announce that Mr JOHN RAYMOND WARD, F.C.A., has retired from the partnership.

PROFESSIONAL NOTES

Mr A. R. O. Slater, F.C.A., has been appointed a director of Anglo American Asphalt Co Ltd.

Mr Maurice Tattersfield, A.C.A., has been appointed a director of The George Cohen 600 Group Ltd.

Mr S. G. Grinstead, A.C.A., has been appointed a director of Union Hotels (London) Ltd.

Mr J. T. H. Macnair, M.C., B.A. (Oxon.), C.A., has been elected a director of Crompton Parkinson Ltd.

Mr S. C. Smith-Cox, T.D., F.C.A., M.H.C.I., managing director of Grand Hotel Company, Bristol, Ltd, has been appointed to the board of Nuthalls (Caterers) Ltd.

Mr Ronald Collingwood, A.C.A., secretary of H. Samuel Ltd, has been appointed a director of the company.

Mr A. B. Inger, A.C.A., secretary of Hicking, Pentecost & Co Ltd, has been appointed a director of the company.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m. on Monday, August 10th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 2 Thessalonians, chapter 1, verses 11 and 12 (Paul's prayer for the Christians in Thessalonika).

THE SHEFFIELD AND DISTRICT CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The sixty-eighth annual report of the committee of The Sheffield and District Chartered Accountants' Students' Society, presented at the Society's recent annual meeting, shows that the membership at December 31st, 1958, totalled 264 ordinary members (an increase of 106 over the year) and 115 honorary members.

During the winter months seven evening lectures were held when attendances were most encouraging; the Saturday morning lectures also enjoyed an increased attendance. Three visits were made to industrial companies and for the first time for several years a debate was held. An extremely popular residential course took place at Buxton at the end of September and it is pleasing to record that the Society has now formed a Doncaster Branch whose early meetings have been most successful.

The Society celebrated its seventy-fifth anniversary in 1958 with a dinner held in Lower Cutlers' Hall; a number of distinguished guests and some 120 members attended.

The officers of the Society for the ensuing year have been elected as follows:

President: Mr J. S. Wortley, F.C.A.
Vice-Presidents: Messrs B. Thomas, F.C.A., F. Downing, F.C.A., Col. W. H. Olivier, T.D., M.A., F.C.A.
Chairman: Mr K. Archbold, A.C.A.
Hon. Secretary: Mr J. E. S. Dunn, 82 Ranmoor Road, Sheffield, 10.
Hon. Asst. Secretary: Mr A. W. Hart.
Hon. Membership Secretary: Mr E. K. Williams, 21 Cherry Tree Road, Sheffield, 11.
Hon. Treasurer: Mr A. M. C. Staniforth, B.A.(COMM.).

CLASSIFIED ADVERTISEMENTS

Emergency Service

As as special measure, duplicated lists of advertisements under the Situations Vacant and Wanted headings are available and may be obtained free upon request from The City Library, 27–28 Basinghall Street, London, EC2, or by post, on receipt of a stamped addressed envelope, from *The Accountant* Advertisement Offices, 4 Drapers' Gardens, London, EC2.

New Legislation

The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective

STATUTES

7 & 8 Eliz. 2

Chapter 25: Highways Act, 1959

An Act to consolidate with amendments certain enactments relating to highways, streets and bridges in England and Wales, including certain enactments commonly contained in local Acts, and to make consequential amendments of the common law.

Price 12s 6d net. *April 30th, 1959.*

Chapter 26: Terms and Conditions of Employment Act, 1959

An Act to repeal the Catering Wages Act, 1943, and to convert wages boards under that Act into wages councils: to make further provision with respect to wages councils and statutory minimum remuneration and with respect to the observance of recognized terms or conditions of employment; and for purposes connected with the matters aforesaid.

Price 9d net. *April 30th, 1959.*

Chapter 27: Sea Fisheries (Compensation) (Scotland) Act, 1959

An Act to make further provision as to compensation for any loss or damage occasioned to fishing nets or gear detained by sea fishery officers in Scotland.

Price 3d net. *April 30th, 1959.*

STATUTORY INSTRUMENTS

The Tribunals and Inquiries (Revenue Tribunals) Order, 1959 (S.I. 1959 No. 452)

This Order excludes from the operation of Section 12 (1) of the Tribunals and Inquiries Act, 1958 (which requires the tribunals to which the section applies to furnish a statement of the reasons for a decision if so requested) decisions of the Board of Referees and decisions of Income Tax Commissioners to which the appeal procedure by way of case stated under the Income Tax Act, 1952, applies (except decisions of the Special Commissioners in cases in which a re-hearing by the Board of Referees may be required.)

Price 3d net. *April 1st, 1959.*

The Post-War Credit (Income Tax) Regulations, 1959 (S.I. 1959 No. 876)

These Regulations prescribe the qualifications to receive repayment of post-war credits.

Price 3d net. *June 1st, 1959.*

The Public Trustee (Fees) Order, 1959 (S.I. 1959 No. 961)

This Order amends the Public Trustee (Fees) Order, 1957, by authorizing the Public Trustee to charge fees on the sale or purchase of securities, land or mortgages and by making certain other changes in the Order.

Price 3d net. *June 8th, 1959.*

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CONTENTS

The Finance Act, 1959

THIS year's Finance Act which received the Royal Assent on July 29th and became available last Wednesday may well be the last one to be enacted by the present Parliament. The main provisions, as proposed in the Bill, have already been dealt with at some length in these columns and this article is confined to subsequent amendments.

Entertainment Duty Concession

The Act is in fact remarkable for the number of concessions to the taxpayer which were made at a late stage and were not foreshadowed in the Budget speech. Perhaps the most spectacular relief is that conferred by Section 6 which allows cinema proprietors to pocket the first £20 of the entertainment duty which they collect each week. This part of the Act was not introduced until the Report stage – nearly three months after the Budget speech. Introducing it, the CHANCELLOR said that he was particularly concerned about the position of small country cinemas and those serving small market towns having only one cinema. The concession, of course, benefits all cinemas, large and small, but is of particular help to small ones whose position may be precarious. About 1,500 cinemas usually paid less than £20 duty in a week; practically all of these will cease to pay any duty at all, while continuing to collect it from their patrons.

The idea is a little startling at first sight, but it will be recalled that when entertainment duty on theatres was discontinued, theatre seats continued to cost as much as before, so that in effect the duty went to swell the takings. Thus a tax which began as a levy in aid of the Exchequer becomes a levy in aid of the proprietors – a somewhat novel way of bringing assistance to a depressed industry. The cost of Section 6 to the Exchequer will be something under £3 million a year. It came into force on August 2nd but Section 6 (4) provides that in respect of the week beginning with June 7th, 1959, and subsequent weeks before August 2nd, the Customs and Excise Department shall make repayments of duty on the footing that the section came into force on June 7th. When this provision was introduced, a Member of the House of Commons asked whether the refund would constitute a taxable sum in the hands of the recipient, but no answer was given.

Dependent Relative Relief

Another late concession was an extension in the scope of the income tax dependent relative relief, which is granted by Section 216 of the Income Tax Act, 1952. This section gives relief where

the relative is either incapacitated or is the claimant's (or his wife's) widowed mother. Section 20 of the new Act provides that the reference to widowhood shall be deemed to include a reference to a dependant living apart from her husband or being divorced from him. There is a proviso to ensure that this change does not reduce any personal relief to any person.

Investment Allowance on Ships

Section 22 is directed to preserving the right to an investment allowance on a ship where the ownership of the vessel passes to the taxpayer after the construction of a vessel has been started but before it is taken over from the shipbuilder. The need for Section 22 arises in this way. The original investment allowance legislation (Finance Act, 1954, Section 16) confines the allowance to 'new' machinery and plant, which word it defines as 'unused and not second-hand'. An unfinished ship is, of course, unused but if the person who commissioned its building transfers it to a third party, that third party cannot say it is not 'second-hand' and therefore he is precluded from obtaining allowance. If the assignor receives no investment allowance there is normally no reason why the assignee should not do so. Section 22 (1) now provides that capital expenditure incurred after April 7th, 1959, on the provision of a ship shall not be prevented, for investment allowance purposes, from being treated as incurred on a new asset by the property in the ship (or any part of it) having previously passed to a person other than the person incurring the expenditure, if the ship has not been taken over from the builder by that other person. The section does not apply if the 'other person' has received an investment allowance, or would have done so if he had incurred the expenditure after April 7th, 1959 (subsection (2)).

Subsection (3) deals with the case where rights under a contract to build a ship are assigned after the ship is begun and (*a*) the assignor and assignee are in common control, and (*b*) it appears that sole or main benefit from the transaction would, but for subsection (3), be an increased investment allowance. In such a case no part of the consideration for the assignment is to be treated, for Section 22 purposes, as expenditure on the provision of a ship. However, subsection (3) is not to affect the consideration for a sale to the assignee of so much of the ship as is in existence before the assignment.

Subsection (4) provides that the Fourteenth Schedule to the Income Tax Act, 1952, is not to operate so as to increase the amount of any investment allowance falling to be made by virtue of Section 22. Subsection (5) contains the usual provision for ensuring that Section 279 (2) of the 1952 Act (post-dating expenditure incurred for the purposes of a trade not yet commenced) should not have the effect of qualifying pre-Budget expenditure for the investment allowances granted by Section 22.

Bond-washing

Section 24 (originally clause 19) was amended on the Report stage. It is one of the four sections aimed against bond-washing and is concerned with dealers in securities. Its provisions, as amended at the Committee stage, were the subject of a leading article in *The Accountant* of June 13th. As there stated, a good many of the teeth in the section are drawn by subsection (2), exempting from subsection (1) British discount houses, stock jobbers, and the equivalent of stock jobbers in British provincial stock exchanges. At the Committee stage some special pleading was also put in on behalf of British arbitrage firms, and this has borne fruit in subsection (5). Arbitrage, broadly speaking, consists of buying securities in one overseas market and selling them in another, making a profit out of the slight differences between different national markets. Subsection (5), which sedulously avoids the word 'arbitrage', provides that subsection (1) shall not apply if the securities are 'overseas securities' bought by the first buyer on a stock exchange outside the United Kingdom in the ordinary course of his trade as a dealer in securities, where the following conditions are also satisfied:

(*a*) the interest is brought into account as a trade receipt for British tax purposes;

(*b*) the first buyer has not claimed, and undertakes not to claim, any relief in respect of the interest, under Section 201 of the Income Tax Act, 1952; and

(*c*) the first buyer elects that credit in respect of the interest, under Sections 347 or 348 of the 1952 Act (double tax relief) shall not be allowed.

Section 201 is the section which grants what might be called '*Gilbertson v. Fergusson* relief' in respect of ordinary dividends from companies abroad which have themselves borne British tax. 'Overseas securities' are defined as securities of the government of, or of a body of persons resident in, any territory outside the United Kingdom and the Irish Republic.

Pension Annuity Business in Eire

Section 28, also added at the Report stage, is directed to preserving the competitive strength of British insurance companies transacting pension annuity business in the Republic of Ireland in competition with other foreign insurance companies. Irish tax legislation, corresponding to that enacted here in 1956, exempts pension annuity business profits from taxation. However, British companies already have exemption from Irish tax by virtue of the double tax agreement with Ireland, under which they pay income tax instead in the United Kingdom. It follows that British companies were at a disadvantage in Ireland. Section 28 relieves them of British tax on the profits from pension annuity business transacted there. It does so by extending to such profits the relief for foreign life assurance funds granted by Section 429 of the 1952 Act. The cost of this concession is about £250,000 a year.

Stamp Duty on Sales Under £5

The scale of stamp duties on conveyances on sale originally began with 6*d* on the first £5 of consideration. This now stands at 2*s*. Moreover, where a share warrant or bearer security is issued it bears three times the conveyance on sale duty which, for a nominal amount of £5 or less (no matter how much less), is 6*s*. This naturally inhibits the issue of share warrants and bearer securities for small amounts. Now, by Section 31 of the new Act, where the consideration for a sale is less than £5, the conveyance on sale duty is not to exceed 6*d* for every 25*s*. It follows that the duty on bearer securities is not to exceed 1*s* 6*d* for every 25*s* of the nominal amount.

Economic Revival

COHEN COUNCIL'S THIRD REPORT

EXPANSION is once more the watchword of the British economy according to the Cohen Council's third report.[1] The turning point, it suggests, came last March since when there has been a marked improvement in production, an increase in retail sales, and a fall in unemployment. Until then, the economy is portrayed as having dawdled along for twelve months while in the throes of 'altering course slowly and hesitatingly'. However, the recent reinvigoration of business in the United States together with the British Government's own expansionist policies have contributed much to this heartening change of direction.

In considering past trends in the economic situation and the prospects for the next few months, the Council stresses the links which exist between the latest and its two previous pronouncements. In the period 1955–57, firm action had to be taken to halt inflation, notwithstanding the adverse effects on the growth of production. At long last, however, Great Britain is experiencing a period of relative price stability and the time is judged right for a discussion of possible improvements in existing institutions and practices which might go some way to overcome the unpalatable choice between expansion and stable prices on some future occasion. At this turning point in its fortunes, the guiding principle is – to quote the Council's own words:

> '. . . that the country should seize the opportunity of advancing to higher output and higher real incomes without involving itself once again in the spiral of rising pay, profits and prices, which can only bring another setback.'

The report also holds out the vista of price reductions, for if the rise in output per head comes about, and money rates of pay and the prices of imported materials do not go up, then unit costs will fall. A reduction in price diffuses the benefit among all consumers, and by stimulating demand promotes the expansion of output which is

[1] Council on Prices, Productivity and Income. Third Report, July 1959. H.M.S.O. 2*s* net.

necessary to take full advantage of modern productive techniques. Taking the longer view, the Council poses the perennial question: 'Do we invest enough?' On the face of it, the United Kingdom appears a long way down the league table of industrial nations (on the basis of the proportions of their gross investment at home in 1955). Even so, the position is by no means as discreditable as it seems for three reasons. Firstly, the figures only cover fixed investment at home, whereas the United Kingdom has been responsible for considerable investment abroad. Secondly, a country whose working population is growing rapidly must needs devote some of its output to investment simply to keep up the existing level of equipment per man at work. In recent years, this has been true of Western Germany and the United States in particular. In the United Kingdom, however, where the working population has been growing much more slowly, the greater part of investment has been applied to increasing equipment per head. Thirdly, it is the absolute addition to equipment per head that counts. Consequently, a highly industrialized country like the United Kingdom which is already well-endowed with capital assets has something of a flying start over other countries whose existing equipment per head is smaller and whose annual output is lower.

In spite of all these qualifications, however, the fact remains that in an age of revolutionary change in technology there is a premium on renewing and developing equipment rapidly. There is an even stronger reason, however, why Britain should always be in the van of progress. As the Cohen Council puts it: 'The United Kingdom will have an immediate forfeit to pay if it does not advance its productive efficiency enough to hold its own both in product and price with its competitors in the world market.' Just what is the right rate of investment must always be a matter of careful judgment, and that is precisely the kind of judgment which Governments are called upon to make in formulating their economic policies.

Nevertheless, a higher level of investment betokens a somewhat greater flow of savings and on this subject the Council makes several pointed remarks about profit margins in general and the degree of corporate saving in particular. In the first place, it commends the outcome of the restrictive practices legislation in breaking through the rigid price barriers behind which many industries have sheltered for so long. Secondly, it questions the wisdom of forcing the consumer to provide the finance for physical growth through an enlargement of the profit margin, though accepting unreservedly industry's right to provide for the additional cost of replacement out of profits.

At present, it seems that the net income of companies (after charging depreciation on a replacement cost basis) is split roughly into three equal parts. Taxation absorbs one-third and one-third is appropriated in the form of gross dividends, leaving one-third to be ploughed back into the business. It requires fine judgment to decide how much physical growth should be financed out of profits and how much industry ought to seek from the capital market. For some time past, many firms and, indeed, some industries have been prone to the self-financing chimera, overlooking the fact that the more they arrogate to themselves the right to finance expansion schemes out of profits the smaller will be the flow of savings into the capital market. Thus, deprived of its life-blood, the capital market is unable to satisfy the demands made upon it, and so another vicious circle is born. Unlike capital raised directly from the market, the capital represented by retained profits does not *have* to be serviced immediately. It is apt to be almost costless capital for a short period of years and that may have been its main attraction. No doubt these methods were permissible during the post-war period when capital-raising was difficult, but the current level of personal savings and the reception given to recent public issues suggests that ploughing back on the former scale has outlived its usefulness.

Since the last report, the original two members of the Council – LORD COHEN, the chairman and SIR HAROLD HOWITT – have been joined by Professor E. H. PHELPS BROWN (Professor of the Economics of Labour in the University of London) who fills the place left by SIR DENNIS ROBERTSON's resignation in December 1958. It may be reasonable to assume that the 'Fourth Wise Man' has stamped his views on a thought-provoking chapter dealing with the whole question of how money incomes should be fixed.

Maintenance Relief

TREATMENT OF INSURANCE MONEYS

IN our issue of June 27th, we reviewed the law relating to the effect on maintenance relief of subsidies granted to the person making the claim. The article was prompted by a letter from a reader, published in the same issue, complaining of the fact that expenditure by a relief fund on repairs to his property was disallowed in his claim. The article in turn elicited another letter, published in the issue of July 25th, asking for information about the treatment of insurance moneys received by the person making the maintenance claim. In a footnote to that letter attention was again directed to Section 332 (2) (*a*) of the Income Tax Act, 1952. It seems, however, from further letters received from readers that a certain amount of misapprehension still exists.

Some of the confusion probably stems from the apparent anomaly of allowing income tax relief in respect of expenditure which the taxpayer has recovered, or will recover, from his insurance company. However, there is nothing particularly startling in that. As stated in the previous article, the principle that a taxpayer's expenditure is still his expenditure, notwithstanding the fact that he may be reimbursed, is enshrined in the House of Lords decision in *Birmingham Corporation v. Barnes* (14 A.T.C. 33; 19 T.C. 195). There, it was held that where the Corporation laid a tram track for £ $(X + Y)$ and received £Y in reimbursement from a local industrial concern, still the 'actual cost' to the Corporation, for the purpose of wear and tear allowance, was the original £ $(X + Y)$, and it is from this premise that one must consider the matter. Presumably the contributor of the £Y was not able to obtain any income tax relief in respect of it, and therefore there was nothing particularly unjust in the Corporation having full wear and tear.

On the other hand, if the reimbursement comes from someone who also obtains tax relief, or still worse, out of public funds which are fed from income tax, then clearly there is an anomaly. When the Income Tax Act, 1945, introduced a much more generous scale of capital allowances, the opportunity was taken to deal with the question of subsidies and reimbursements, in the light of the *Birmingham Corporation* case (though it cannot be said that the drafting was of a high order, at any rate if clarity is the criterion). Section 67 of that Act provided that in computing for the purposes of maintenance relief, the cost to any person of maintenance, repairs, insurance and management, there should be left out of account

> 'any expenditure incurred by him on or after [the 6th April 1946], in so far as it has been or is to be met directly or indirectly by the Crown or by any Governmen or public or local authority, or by any person other than the first-mentioned person.'

The section was both a recognition of the *Birmingham Corporation* principle as applying to maintenance claims, and a partial breach in it. The breach was not so wide as the words of Section 67 indicated, however, for Section 66 (2) of the same Act provided as follows:

> (2) In considering, for the purposes of subsection (1) of this section, and of any other provisions of this Act referring to expenditure met or to be met directly or indirectly by the Crown or by any authority or person other than the person incurring the expenditure, how far any expenditure has been or is to be so met, there shall be left out of account –
>
> (*a*) any insurance moneys or other compensation moneys payable in respect of any asset which has been demolished, destroyed or put out of use; and
>
> (*b*) any expenditure met or to be met by any person other than the Crown or a Government or public or local authority being expenditure in respect of which, apart from the provisions of this paragraph, no allowance could be made under the provisions of [Section 66 (3)].'

(Section 66 (3) provided for capital allowances to a person who contributes towards the provision of a capital asset, for the purpose of a trade carried on by him or by his tenant.) Thus Section 66 (2) greatly cut down the scope of Section 67, the two provisions now being contained in Sections 101 (3) and 332 (2) of the Income Tax Act, 1952).

The taxpayer claiming maintenance relief can still include expenditure incurred by him notwithstanding that he has received insurance moneys, provided those insurance moneys are either:

(i) paid in respect of assets demolished, destroyed or put out of use; or

(ii) paid in any other respect, provided the case does not fall within (*b*).

A correspondent tells us that he was involved in an expenditure of £20 on the repair of a fence which his neighbour's cattle had damaged. The neighbour's insurance company paid £17 and the Inspector deducted this £17, allowing the balance of £3 in the maintenance claim. This action of the Inspector seems to us to be entirely wrong, provided it was the taxpayer, and not the insurance company, which actually incurred the cost of repairing the fence.

Another correspondent says that our footnote to the letter published in the July 25th issue is 'most misleading' and that Section 332 (2) (*a*) (formerly Section 66 (2) of the 1945 Act) 'only applies to machinery, plant, etc., provided before . . . April 6th, 1946.' This correspondent also adds that 'Under Section 333 insurance moneys received by way of compensation in respect of assets provided after April 6th, 1946, are to be brought into account'.

Section 332 (2) is not, of course, confined to machinery and plant at all, nor were we dealing with allowances on machinery and plant. As for Section 333, this is merely a definition section which *inter alia* defines the phrase 'sale, insurance, salvage or compensation moneys' for certain limited purposes, namely, balancing allowances and charges, and annual allowances, in relation to which there is specific provision that insurance moneys are to be brought into account, as the words of the phrase imply. The phrase has no relevance to maintenance relief.

Budgetary Planning and Control—I

A STUDY OF BUDGETARY PRACTICE IN BRITISH INDUSTRY

by J. R. PERRIN, M.B.A., Ph.D.

EXAMINATION of contemporary published British writings on the subject of budgets and budgeting indicates that in Britain, as in the United States, almost every book or article is devoted to presenting an explanation or case study of the actual use of budgets in a single company, or to advocating a suggested 'model' system of budgetary control thought to be suitable for general use. To the author, newly arrived from America to undertake a programme of research in the United Kingdom, it seemed that a comparative study of the use, scope and objectives of budgetary planning and control in a number of reasonably representative British companies might produce useful findings. Therefore, contact was made with some fifty-five companies requesting the privilege of interviewing accountants and/or executives active in the companies' planning and control programmes. Agreement to participate in the study was most co-operatively granted by representatives of thirty-two of these companies, and research information suitable for inclusion in the study was obtained at thirty of the companies.

Twenty-two of the thirty companies are engaged in the manufacturing, processing and engineering industries while three are large retail organizations, and the remaining five companies include representatives of wholesale trade, banking, air transport and the publishing world. The thirty companies are all public companies or subsidiaries of public companies and they vary greatly in size, eleven having fewer than 1,000 employees, and at the other extreme, ten having more than 4,000 employees. The median, or typical size for the companies studied is 2,000 employees.

Financial and Operating Budgets

Among the thirty companies it was found that formal capital expenditure budgets are employed in fourteen companies, while formal cash forecasts or budgets were reported to be regularly used in twenty-five of the companies. Complete balance sheet budgets or forecasts are in use at only two of the companies. The above-mentioned

Abridged from 'Budgetary Planning and Control in British Industry', a thesis accepted by the University of London for the Ph.D.(Econ.) degree.

forecasts and budgets may be described as financial, asset and commitment, or capital position types of budgets. The other principal budgets widely used may be collectively described as revenue account budgets, or operating budgets, in that they comprise those budgets of operating income, costs and expense which, when summarized together, make possible the preparation of budget or forecast profit and loss statements. It is with the use of these operating budgets that this study has been principally concerned. The study has found that nineteen of the thirty companies use complete systems of operating budgets for all income, costs and expense; while three additional companies make limited use of such budgets for sales, costs or overheads, but do not at present possess complete systems.

Their operating budget programmes have been introduced only since the end of the Second World War in seventeen of the twenty-two companies now using these budgets. The causes for the introduction of these post-war operating budget systems appear to include not only the accession to senior accounting and managerial posts of a new generation of executives seeking improved planning and control techniques, but also the increasing complexity of management activities arising from the hastened growth of individual companies and from the frequency of mergers between companies; the increasing time-lag between operations planning and the start of full-scale production in modern industry; and, more recently, the increasing competition experienced in both overseas and domestic markets.

Budgetary Planning

Budgetary planning involves preparatory studies and forecasting; the actual drafting, review and approval of the draft budgets and, to a widely varying extent, the reference to budgets subsequently when converting plans into directives. Wide variations appear to exist in the variety and thoroughness of the preliminary studies and forecasting undertaken at individual companies: for example, in only seven companies are comprehensive sales forecasts habitually prepared for periods extending beyond the end of the current budget year. The operating budgets are typically prepared so that their periods will coincide with the twelve-month or six-month accounting periods of the companies – thus facilitating the preparation of control reports comparing actual achievement against budget expectations. Only one of the thirty companies regularly prepares reasonably detailed operating budgets for periods beyond the end of the forthcoming accounting year. In this company, the forward budgets extend two years beyond the regular annual budgets: they are tentative and subject to later detailed revision.

Except in one company and with regard to its overhead budgets only, all interviewees in companies using operating budgets reported that their budgets are drafted with the intention of incorporating actual expectations of what will occur during the forthcoming budget period – in other words, operating budgets are reportedly intended to designate practicable goals for managers, not to establish idealistic targets that include incentive elements over and above reasonable and justifiable expectations.

The preliminary drafting of operating budgets is performed in eight of the companies by (or under the supervision of) the individual managers of the departments or activities directly concerned; while in six companies this drafting is performed by the budget accountant, working in close association with the individual managers most concerned. But in five companies the drafting of operating budgets is undertaken by the accountant, working from forecasts and policy decisions approved by top management, without there occurring any substantial preliminary or concurrent consultation with operations-level managers. Special committees for the planning or review of budgets exist below Board level in only two of the companies. Among the companies using operating budgets, the final examination and approval of draft budgets is rendered by the full board of directors in nine companies, by an executive committee of directors in six companies, and by the managing director in four companies.

Budgets Do Not Govern

Interviewees' responses suggest that it is not commonly intended for the budgets to exercise automatic and unyielding control over expenditure by prescribing precise limitations on expenditure, except in the cases of a few special budgets, such as those for advertising and for head office expenses. Among manufacturing and processing companies using operating budgets, it was found to be the exception for either the quantities or the expenditures set forth and approved in the budgets to serve as the governing factor in the making of shorter-term operating decisions. Reportedly, in only four of the companies studied do production budgets serve to provide the principal factor normally determining short-term decisions as to production quantities and product-mix, etc.; while in five companies the

production budgets appear to serve the much more limited function of providing a basing-point or standard, which normally must be modified to reflect short-term problems and opportunities. In the remaining seven manufacturing and processing companies the production budgets are apparently considered to be only of slight or unreliable value as guides or standards for making short-term operating decisions.

Budgetary Control

Budgetary control, as distinct from budgetary planning, involves the provision of information to managers so as to enable them more effectively to comprehend and control their own activities and the performance of their subordinates, and to enable them to take prompt action to correct or improve operating conditions and trends. Budgetary control information is provided to managers orally and informally as well as through formal written budget reports.

In theory, it appears that budgetary control reports (other than reports prepared for top general management) should relate principally, if not exclusively, to activities and expenditures within the control of the individual managers receiving the reports. In practice, it was reported that accountants in eight companies include in each manager's reports only items believed to be controllable by that manager, and that accountants in three companies, although including in reports both controllable and non-controllable items, take care to separately distinguish or group the two types of items, so that managers may easily ascertain their personal budgetary responsibility and achievement. In contrast, four accountants reported that controllable and non-controllable items pertinent to a given department or activity are commingled in budget reports without being separately grouped or distinguished so as to designate the individual manager's personal budgetary responsibility.

Top management budgetary control reports are regularly received and examined by the boards of directors in thirteen of the companies, by executive committees of directors in two companies, and by the managing director in three companies. These reports most often appear to follow the form of interim accounts, with budget expectations and actual results for each account being shown side by side. Variance analysis appears to be little used in the reports, except where used in accompanying narrative notes relative to the most important problems disclosed by the reports. These top management reports are typically rendered monthly and, on average, they require approximately two and one-half weeks for preparation. But information as to major budget problems or trends is usually communicated orally to the senior managers well in advance of the distribution of written reports.

Middle management budgetary control reports typically relate only to the operations and accounts of a single department or activity, are rendered monthly or weekly, and require from one to two weeks for preparation. Budget reports for foremen (or the equivalent) are used in only five of the twenty-two companies using operating budgets, but the use of cost or productivity control reports for foremen was reported in eighteen of the thirty companies in the survey.

Flexible budget techniques may be used in order to make budgets and budget reports more responsive to altered expectations, and in order to simplify the identification and analysis of budget variances. But these techniques require extra records, computations and expense, and it appears that they have not been widely adopted in the companies studied. Flexible budget rates are used in one company, but for overhead budgets only; complete alternative budgets drafted at the beginning of the budget period to provide predetermined operating budget levels for two or more combinations of activity levels, product mixes, or cost levels, etc., are not used in any of the companies; supplementary short-term budgets drafted at the beginning of separate budget sub-periods are used in only three companies, and periodic recasting of budgets at regular intervals is practised in only two companies. Of the remaining companies, twelve reportedly review and revise their budgets periodically, but only at irregular intervals, while five companies rarely revise their budgets except on the infrequent occasion when major disturbances in operating conditions occur.

Types of Budget System

Operating budget systems in use in the companies studied may be classified into two fundamentally differing types of system. These may be termed the *participating budget system* and the *non-participating budget system* for purposes of discussion. The principal function of the participating type of operating budget system appears to be to provide a planning and control programme in which managers at all management levels take part, with the accountant or budget executive acting as a co-ordinator of planning

and control activities; whereas the principal function of the non-participating type of operating budget system appears to be to provide a planning and control aid (with the major emphasis generally placed upon control) for one or more members of top management, with the accountant acting as a skilled analyst and adviser, and with managers below top management taking little or no active or responsible part in the budgetary planning and control activities. If the above method of classification is applied, it appears that seventeen of the companies utilize participating budget systems, while five employ non-participating budget systems.

The type of budget system described above as 'participating' corresponds approximately to the typical 'model' budget system frequently described in contemporary accounting literature. Many accountants may consider the non-participating type of system to be inadequate and obsolete. Such a generalization may generally prove to be correct – especially as regards larger companies, and a company's use of the non-participating budget methods should probably serve to alert auditors, consultants and directors to the possibility that top management may be trying to retain personal control of an excessively wide range of activities and administrative detail, at the cost of failing to stimulate and develop the participation and constructive contributions of lower management levels.

What Companies Use Operating Budgets ?

A supplementary analysis was made in the effort to discover whether those companies using operating budget methods tend, as a group, to display differing characteristics from those companies, as a group, not using operating budgets. Several differences between the two groups were noted. Among the companies studied it appears that companies engaged in the manufacturing and processing industries make greater use of operating budgets than do companies in distributive and service trades. Companies engaged primarily in batch manufacturing activities use operating budgets more extensively than do companies engaged primarily in continuous process operations. Companies with short order books (under two months) make noticeably greater use of operating budgets than do companies with long order books. Companies with relatively low materials costs make significantly greater use of operating budgets than do other companies. The larger companies make significantly greater use of operating budgets than do smaller companies.

Operating budgets also appear to be more generally used in operating subsidiaries and in operating companies possessing separate operating subsidiaries or decentralized operating divisions than in wholly independent, centralized operating companies. (This result is partially a reflection of differences in the typical size and management structure in the three categories of companies.) With the exception of two non-operating parent companies to whose operating subsidiaries an unusual degree of autonomy appears to have been reserved, all the companies possessing substantially decentralized line authority and accounting organization have adopted operating budgets, whereas in companies with substantially centralized line authority operating budgets have been adopted in but fourteen of twenty companies.

Standard Costing and Budgets

Inquiries confirmed the existence of a close relationship between the use of operating budgets and the use of standard costing. Twelve of thirteen companies using standard costs for their principal costing technique also use operating budgets, and all twelve companies possessing standard costing systems integrated with their double-entry records, utilize operating budgets.

The absence or unsuitability of standard costing systems was suggested by interviewees in several of the eleven companies not now using complete operating budget systems to be a principal reason why complete operating budgets have not been developed. More important, perhaps, is the apparent dislike of senior managers in several of the companies (principally smaller companies and companies with strong family management or personal management traditions) to experiment with a system that may distract managers from other activities, and which they think may interpose a screen of paper work between themselves and direct, personal contact with subordinate managers. However, these eleven companies do have alternative control procedures, based mainly upon costing, productivity and other statistical studies of actual results and trends.

It is mainly on the planning and forecasting side of the accounting function that the eight companies using no operating budgets and the three companies using incomplete budget systems appear to lack facilities of comparable value to those provided by comprehensive operating budgets.

(To be concluded.)

MEMBERSHIP OF ACCOUNTANCY BODIES

As at January 1st

	1959			1958			1950			1940	STUDENTS				
	Total membership	In practice	Not in practice[1]	Total membership	In practice	Not in practice[1]	Total membership	In practice	Not in practice[1]	Total membership		Jan. to Dec. 1958	Jan. to Dec. 1957	Jan. to Dec. 1949	Jan. to Dec. 1939
The Institute of Chartered Accountants of Scotland	6,472[2]	1,474	4,998	6,289	1,445	4,844	4,924			4,477	*Indentures Registered*	423[6]	309	335	190
The Institute of Chartered Accountants in England and Wales	31,381[2]	9,827[3]	21,554[4]	20,124	7,600	12,524	14,632	6,183	8,449	13,473	*New Articled Clerks*	2,660[6]	1,624	1,305	663
The Institute of Chartered Accountants in Ireland	1,498[2]	448	1,050	1,315	418	897	724	258	466	433	*New Articled Clerks*	194[6]	91	72	41
The Society of Incorporated Accountants (now in voluntary liquidation)				11,530[5]			8,496	3,253	5,243	7,754	*New Articled Clerks and Bye-law Candidates*	—	763	1,363	586
The Association of Certified and Corporate Accountants	10,282			10,103			7,664			6,092	*New Registrations*	1,317	1,251	1,710	1,635
The Institute of Municipal Treasurers and Accountants	3,026			2,915			1,805			1,242	*Admitted after passing or being exempted from the Intermediate Examination*	216	212	285	102
The Institute of Cost and Works Accountants	6,136			5,758			2,710			1,233	*New Registrations*	3,356	3,173	1,793	436

[1] Includes members not in practice who are employed by a firm of accountants.

[2] Includes members of The Society of Incorporated Accountants admitted under the Integration Schemes, as follows: Scottish Institute, 128; English Institute, 10,547; Irish Institute, 371.

[3] England and Wales only.

[4] Includes 3,852 members overseas whether or not in practice.

[5] As at November 2nd, 1957, when the Society entered into voluntary liquidation under the Schemes of Integration with the Chartered Institutes.

[6] Excludes registration of former Society students.

Weekly Notes

Back to Normal

WITH this issue, *The Accountant* resumes normal publication after seven emergency editions. The emergency issues, produced by apprentices and members of the management at our printing works, were necessarily much restricted in size, but we are glad to have been able to continue a service – albeit limited – of news and information for the profession during a difficult period and thus to have preserved our record of virtually unbroken publication for over three-quarters of a century.

It is a matter of regret that, due to practical difficulties, distribution of the emergency issues had to be confined to direct postal subscribers, and also that it was not possible to include any advertisements in those issues. However, with enlarged sections of classified advertisements and maximum coverage under all subject headings in this and subsequent issues, we shall continue our aim of providing an unrivalled service to the profession and the business world.

The Institute's Examinations

A TOTAL of 2,994 candidates sat for the examinations of The Institute of Chartered Accountants in England and Wales held last May. There were 1,152 candidates for the Final, of whom 512 (44·4 per cent) passed and 640 (55·6 per cent) failed; in the November 1958 examination, 578 (50 per cent) passed, and 577 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prize for the paper on English Law (Part I) were won by Mr W. K. Ng, of London. The Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part II) were won by Mr P. M. Burnham, of London, and the Third Certificate of Merit and the Plender Prize for the paper on Taxation were won by Mr B. R. Dunn, of Nottingham.

In the Intermediate, there were 1,627 candidates, of whom 762 (46·8 per cent) passed, and 865 (53·2 per cent) failed; in the November 1958 examination, 701 (46·5 per cent) passed, and 807 failed. The First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Taxation and Cost Accounting were won by Mr A. W. Davies, of London. The Second Certificate of Merit, the Tom Walton Prize and the Plender Prize for the paper on General Commercial Knowledge were won by Mr R. A. May, of London, and the Third Certificate of Merit and the Flight Lieutenant Dudley Hewitt D.F.C. Prize were won by Mr P. N. Smith, also of London.

In the Preliminary examination, 215 candidates sat, of whom 67 (31·2 per cent) were successful, and 148 (68·8 per cent) failed; in the November 1958 examination 68 (36·4 per cent) passed and 138 failed.

A full list of successful candidates, together with a summary of results, appears elsewhere in this issue.

The Society's Examinations

THE three Chartered Institutes, in accordance with the schemes of integration with The Society of Incorporated Accountants now in voluntary liquidation, conducted the Final and Intermediate examinations of the Society in May 1959.

There were 231 successful candidates in the Final examination eligible for membership of the English Institute, 6 eligible for membership of the Scottish Institute and 16 eligible for membership of the Irish Institute. In the Intermediate examination, there were 379 candidates, of whom 163 (43 per cent) passed; honours were awarded to Mr Peter Stainton Clutterbuck, of London, Mr Clive Sidney Dixon, of Birmingham, Mr Kenneth Arthur Parton, of Wolverhampton, Mr Derek Edward Philpot, of London, Mr Keith Sydney Potter, of Great Yarmouth, and Mr William John Procter, of Worthing. Of those who were successful, 156 are candidates for membership of the English Institute, there is one candidate for membership of the Scottish Institute and 6 are candidates for the Irish Institute.

A full list of successful candidates in the Final examination, together with a summary of results, appears elsewhere in this issue.

Decimalization Developments

FROM answers given in the House at the end of last month to renewed questions on the possibility of introducing the metric system and decimal currency to the United Kingdom, it is evident that the Government has no intention of immediate action. Mr John Rodgers, the Parliamentary Secretary to the Board of Trade, went no further than to reaffirm the Government's interest in the inquiry being conducted by the British Association and to place the knowledge of his department at the disposal of the Association's committee. This reticence on the Government's part is perhaps understandable with, among other events, the Dissolution coming ever nearer, but the truth of the matter is that reform of our currency and weights and measures systems should have been carried out many years ago. The initiative has been lost and, instead of being in the lead, Great Britain, when the inevitable changes do take place, will merely be falling into line with the rest of the world. No fewer than 145 countries already use decimal coinage and South Africa is planning to make the conversion early in 1961.

Meanwhile, although nothing official is being done, the weight of responsible opinion in this country in favour of decimalization is mounting steadily and,

within recent weeks, two more representative bodies have issued their considered views on the subject. One, the County Councils Association, in its memorandum of evidence to the British Association committee, has no hesitation in favouring in principle a change to both the metric system and decimal coinage. In assessing the relative merits and demerits, the Association emphasises the educational advantages to be derived from simplified systems which would enable children 'to think mathematically and not mechanically and by rote'. It suggests that there is much to be said for introducing decimal coinage first, so that the public might get used to the idea before going on to the metric system for weights and measures, and concludes with pleas for the retention of the £ as the basic unit with subdivisions of 10, 100 and 1,000 units.

The second body, the National Chamber of Trade, in a circular to its 2,200 members, posed nine questions. Approximately 200 replies were received, mainly from local chambers of commerce, and nearly one-half of these expressed unqualified approval to decimal coinage and another quarter of the respondents gave their qualified approval. Again, the £ was regarded as the most desirable unit with subdivisions up to 1,000 mils. The suggestion that the shilling should have ten pennies found no favour at all.

Consumer Protection Committee

THE Committee on Consumer Protection set up last month by the President of the Board of Trade under the chairmanship of Mr J. J. Molony, Q.C., has now held its first meeting. The general terms of reference of the committee are to review the working of the existing legislation relating to merchandise marks and certification trade-marks, and to consider and report what changes, if any, in the law and what other measures, if any, are desirable for the further protection of the consumer public.

The Government has said that the committee is to have a free hand in pursuing its investigations and in deciding whether or not evidence should be taken in public. The new organization will not, however, attempt to redress individual grievances. Its work is concerned with general and contentious issues on which it is expected to give impartial and unbiased judgment.

The development of consumer research magazines and the growing criticism of certain aspects of advertising on television are both indications of a trend towards increased sensitivity on the part of the informed public about protecting the consumer and of the urge to find a reasonable compromise between facts about a product and the building up of a reasonable sales story to get a product across. The problem for the committee will be, not that its style is in any way cramped, but that the field is such a wide one that it will have difficulty in pursuing a coherent policy in following up various lines of investigation.

Recruits for the Common Market

REACTIONS to the rapid progress made in Stockholm with the formation of a Free Trade Association in which this country and Scandinavia will play a leading part have been mixed among the members of the European Economic Community. Germany, which has a large trade with Scandinavia as well as with the United Kingdom, is disturbed about the possibility of Europe being divided into two economic groups, while France, which was inclined to disregard the Stockholm negotiations completely at the beginning, has recently taken alarm and expressed disapproval and suspicion about the motives surrounding the establishment of the new association.

The European Economic Community (European Common Market) cannot be regarded, however, merely as a static, conservative organization created by the Treaty of Rome which proposes to maintain itself as an exclusive club. Both Greece and Turkey have expressed an interest in joining the E.C.M. and agreement in principle has been reached with the six existing members. There is little doubt that the attraction from the point of view of Greece and Turkey is the traditional trading bond between Germany and the Balkans. If Germany were able eventually to arrange a marriage or some form of association between the European Common Market and the European Free Trade Association these two new members for E.C.M. would gladly come into line. The large obstacle in the way of some form of unification between the F.T.A. and the E.C.M. remains, as it has always been, France.

Report of the Public Trustee

THE fifty-first annual report of the Office of the Public Trustee[1] records that the year's working in the twelve months ended March 31st, 1959, resulted in a surplus of £8,043, compared with an adjusted surplus of £4,424 for the previous year. Expenses amounted to £574,189, an increase of £20,336 over the previous year; receipts also increased by £23,995 to £582,232.

During the year, 388 new cases of a total value of £5,127,850 were accepted, being twelve more in number, but £302,782 less in value than those accepted during 1957–58. The average value of trusteeships was £11,894 compared with £16,632 and of executorships £12,449 as against £13,047. The percentage of new cases under £5,000 in value rose from 58·8 per cent to 62 per cent and the average acceptance fee rose from £90 to £97. The number of cases completely distributed during the year was 773 compared with 861 in 1957–58; their average value amounted to £12,796 compared with £12,639. At the year-end, the total value of trusts under administration amounted to nearly £233 million.

[1] H.M.S.O. 6*d*.

Finance and Commerce

£18 Million Problem

THE accounts of the House of Fraser Ltd mark the reintroduction of reprinted accounts after their enforced absence from this column. Mr Hugh Fraser, the company's chairman, insists that he is a draper despite the reputation he has attained as a 'take-over' expert. His present 'take-over' battle is being fought against Debenhams for the control of Harrods, whose directors have come out in favour of the Debenhams offer.

Mr Fraser's bid for Harrods involves a cash element of as much as £18 million and, as the House of Fraser balance sheet shows, the bulk of that cash must come, if Mr Fraser does win the day despite the Harrods' rejection of his offer, from sources other than the immediate liquid position of the group as it is now.

In fact the £18 million has been one of the focal points of the 'take-over' battle. The bulk of it would have to come from property mortgages or sales, whereas Debenhams have been granted full banking facilities to cover the £10 million of cash involved in their bid.

Voting Rights

Another interesting aspect of the House of Fraser's bid for Harrods is that it has been instrumental in bringing full voting power to the former holders of the company's 'A' ordinary shares. The 'A' shares through the issue of which Mr Fraser has covered the majority of his take-over operations carried one vote for every twenty shares. His first bid for Harrods was largely in 'A' shares.

When the Harrods affair developed, however, both Debenhams and United Drapery Stores were offering full voting ordinary shares to Harrods' shareholders. United Drapery have since withdrawn from the fray but, to reinforce his position, Mr Fraser was obliged to give full voting rights to his 'A' shareholders. Ordinary shareholders received 'compensation' in the shape of a '1 for 40' scrip issue and taking that issue into account and also the consolidation of the ordinary and 'A' into one fully voting class, the issued ordinary capital is to be brought up to £4,428,094 in 5*s* shares.

Besides the £18 million of cash Mr Fraser's bid for Harrods would involve the issue of a further 9 million House of Fraser ordinary voting shares.

Take-over

SOME account of a take-over bid for a cemetery company in which the London Cemetery Co Ltd has featured, adds a spice of variety to the department store, brewery, bank, insurance, etc., moves of the moment. The company made an offer last year to buy the whole of the 14,790 1*s* shares in the Edinburgh & Leith Cemetery Co Ltd at 30*s* per share. The shares at the time were quoted nominally on the Edinburgh Stock Exchange at 5*s*. There had been practically no business in them for some years.

The directors recommended acceptance of the offer which they intended to accept on their own behalf. The offer was conditional on a 90 per cent acceptance and there was a further proviso that if made unconditional, the directors would co-opt to the board the nominees of the purchaser, and then resign with £200 compensation each.

Subsequent events are reported by the auditors of the London Cemetery Co in their report on the balance sheet as at December 31st, 1958.

Auditors' Qualification

Opening their report with a reference to the offer made on July 29th, 1958, for the Edinburgh & Leith shares, the auditors state:

> 'This offer was accepted by more than 90 per cent of the shareholders of that company and was declared unconditional.
>
> 'At December 31st, 1958, only 9,414 of these shares were in the ownership of the London Cemetery Co, the remainder (5,034 shares) in respect of which acceptances were received having been acquired at the offer price by the directors of the company and other persons. The acquisition by the third parties of shares for which the company's offer had been accepted by the holders has not been approved by resolution of a disinterested quorum of directors as such quorum was not available.
>
> 'On October 9th, 1958, the cemetery owned by the Edinburgh & Leith Cemetery Co Ltd, the present cost of upkeep of which exceeds the revenue from this cemetery, was sold to the company for a nominal consideration and in consequence the current and any future losses thereof will fall wholly upon the company.'

The report is signed 'subject to the foregoing'.

In the balance sheet, there is added under the heading 'Freehold cemeteries', the item 'Rosebank Cemetery, Edinburgh, acquired during the year at cost . . . £1'.

This extraordinary story provokes a curiosity that cannot unfortunately be wholly satisfied from the published accounts.

HOUSE OF FRASER LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st JANUARY, 1959

1958 £	1958 £		£	£
		Directors' Emoluments—		
	1,000	Fees as Directors	1,400	
		Remuneration as Managers and Contributions under		
	25,429	Pension Scheme	36,364	
26,429				37,764
91,262		Interest	..	156,497
80,615		Depreciation on Fittings and Motor Vehicles	..	133,089
		Provisions for Taxation on Profits of Year—		
	493,300	Profits Tax	292,552	
	908,776	Income Tax	958,605	
1,402,076				1,251,157
869,309		Balance carried down	..	1,378,176
2,469,691				2,956,683

1958 £	1958 £		£	£
	2,769,701	Trading Profit of Constituent Companies for year ..	2,803,451	
	(Profit) 398,253	Adjustment for Profit or Loss prior to acquisition	4,510 (Loss)	
2,371,448				2,807,961
87,113		Interest and Dividends received		111,761
11,130		Profit on sale of Investments		36,961
2,469,691				2,956,683

1958 £	1958 £		£	£
		Dividends, *less* Income Tax—		
	9,056	Paid on Preference Stock	9,056	
	242,750	Paid on Ordinary and "A" Ordinary Stock (10% Interim)	252,927	
	606,874	Proposed on Ordinary and "A" Ordinary Stock (25% Final)	673,556	
	858,680		935,539	
	1,199	*Deduct: Dividend on "A" Ordinary Stock formerly held by a Subsidiary Company*	—	
857,481				935,539
		Balance as per Consolidated Balance Sheet carried in Accounts of		
	157,869	(*a*) Parent Company..	283,815	
	647,449	(*b*) Subsidiary Companies	848,461	
805,318				1,132,276
1,662,799				2,067,815

1958 £	1958 £		£	£
	838,258	Credit Balance at 31st January, 1958, brought forward	805,318	
	25,608	*Add:* Adjustment of Taxation and other Provisions	900	
	863,866		806,218	
	1,892	*Deduct:* Final Dividend for year to 31st January, 1958, *less* Income Tax, on £177,000 "A" Ordinary Stock issued during year	25,444	
861,974				780,774
	869,309	Balance brought down	1,378,176	
	68,484	*Deduct:* Preference, Dividends due to Outside Shareholders, *less* Income Tax	91,135	
800,825				1,287,041
1,662,799				2,067,815

NOTES ON THE ACCOUNTS

(1) No provision for depreciation of heritable properties has been made, as, in the opinion of the Directors, the value of these properties is not less than their book value.

(2) In the Consolidated Profit and Loss Account, the charge for depreciation does not cover fixtures, fittings and plant of Binns Limited, replacements of which are charged to Revenue.

(3) The Company has guaranteed the obligations of a subsidiary Company in respect of bills payable amounting to £35,671.

(4) There are outstanding capital commitments of subsidiary Companies estimated at £46,000.

(5) There are future instalments amounting to £3,537, due on partly paid investments.

(6) Share Premium Account:

Balance at Credit at 31st January, 1958	£5,492,023
Add: Net Premium on acquisition of £354,000 Ordinary Stock, Arthur & Company Ltd., in exchange for £141,600 in Cash and £177,000 in "A" Ordinary Stock (5/– units) credited as fully paid	£619,500
	£6,111,523

HOUSE OF FRASER LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT 31st JANUARY, 1959

1958 £	1958 £		£	£
		ISSUED CAPITAL OF HOUSE OF FRASER LIMITED		
350,000		4½% Cumulative Preference Stock	350,000	
1,174,537		Ordinary Stock (5/- units)	1,174,537	
3,047,194		"A" Ordinary Stock (5/- units)	3,224,194	
	4,571,731			4,748,731
		CAPITAL RESERVE		
		As at 31st January, 1958	5,959,181	
		Add: Surplus on sale of Heritable Properties ..	329,402	
		Net surplus on acquisition of Shares of Subsidiary Companies	342,739	
5,959,181			6,631,322	
5,492,023		Share Premium Account	6,111,523	
	11,451,204			12,742,845
		REVENUE RESERVES		
500,000		General	500,000	
168,170		Staff Pension Funds	156,517	
3,449		Debenture Stock Sinking Fund (Post acquisition proportion)	11,174	
1,188,070		For Future Income Tax and Contingencies	1,117,925	
	1,859,689			1,785,616
		PROFIT AND LOSS ACCOUNT		
	805,318	Balance at credit		1,132,276
	18,687,942			20,409,468
	1,961,132	**INTERESTS OF OUTSIDE PREFERENCE SHAREHOLDERS** ..		2,196,869
		SECURED CREDITORS		
	2,268,600	Debenture Stocks of Subsidiary Companies and Heritable Bonds		2,333,498
		CURRENT LIABILITIES		
1,334,968		Suppliers' Accounts	1,438,543	
903,478		Charges Accrued and Sundry Creditors	993,880	
75,000		Loan from Associated Company	225,000	
274,029		Deposit Accounts	253,725	
19,751		*Provision for terminal payments on Building Contracts*	—	
43,833		Provision for Deferred Repairs	29,233	
1,792,367		Current Taxation	1,491,831	
606,874		Proposed Ordinary and "A" Ordinary Dividends, *less* Income Tax	673,556	
	5,050,300			5,105,768
	27,967,974			30,045,603

1958 £	1958 £		£	£
		FIXED ASSETS		
		At cost or as valued on acquisition through Subsidiary Companies—		
11,305,797		Freehold Properties	11,850,807	
4,304,442		Leasehold Properties	4,194,388	
	15,610,239			16,045,195
2,670,598		Furniture, Fixtures, Fittings, Plant and Motor Vehicles	2,974,237	
516,226		*Less:* Depreciation to date	686,334	
	2,154,372			2,287,903
	17,764,611			18,333,098
	196,932	**DEBENTURE STOCK SINKING FUNDS AND MORTGAGE REDEMPTION INVESTMENTS** (Market value £217,152)		232,086
		CURRENT ASSETS		
4,476,662		Stock in Trade as certified by the Companies' Officials	5,241,541	
2,104,148		Customers' Accounts, *less* Provisions	2,554,008	
488,333		Hire Purchase Accounts, *less* Provisions	593,514	
126,305		Sundry Debtors, Payments in Advance and Income Accrued	151,824	
		Investments at cost—		
2,345,361		Quoted (Market Value, £2,512,022)	2,048,142	
5,111		Unquoted	7,370	
460,511		Net Balances at Bankers, Cash on Hand and at Call	884,020	
	10,006,431			11,480,419
	27,967,974			30,045,603

CITY NOTES

DISTURBED only by temporary, and largely technical, setbacks, the stock-markets demonstrate a marked degree of investment confidence. With economic and industrial statistics and indices showing that internal re-expansion is not being enjoyed at the expense of external economic stability, there is a not unnatural investment inclination to view the immediate outlook favourably. The approaching General Election, for the present at least, does not seem to deter new buyers.

There is, however, a feeling that both the Treasury and the Bank of England may consider it necessary to apply at least a temporary brake on home demand for goods and for capital. The period of seasonal pressure on sterling during the autumn might see a slight tug on the economic reins and the method of the tug may well be made in the light of the findings of the Radcliffe Committee whose report on the monetary system is due to be made shortly.

Meanwhile, industry is already showing a useful response to the pressure from the Chancellor to reduce prices. Benefits obtained from capacity production of new plant are now likely to be passed on to the consumer at a time when the first flush of spending – as a result of lifted credit and hire-purchase restrictions – may be showing signs of easing off.

In the stock-market investment sphere, there has been a noticeable extension of continental demand for British equities. Particularly on Western German stock-markets, equity demand has pushed share prices to points where yields are extremely small. Continental operators are naturally attracted to yields of up to 5 per cent on United Kingdom equities.

RATES AND PRICES

Closing prices, Wednesday, August 12th, 1959

Tax Reserve Certificates: interest rate (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

June 5	£3 8*s* 6·63*d*%	July 10	£3 9*s* 0·22*d*%
June 12	£3 9*s* 0·02*d*%	July 17	£3 9*s* 0·16*d*%
June 19	£3 9*s* 0·40*d*%	July 24	£3 9*s* 0·13*d*%
June 26	£3 9*s* 0·52*d*%	Aug. 3	£3 9*s* 8·19*d*%
July 3	£3 9*s* 0·06*d*%	Aug. 7	£3 9*s* 7·97*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	$3\frac{9}{16}$–3⅝%
Fine Trade Bills		3 months	$3\frac{9}{16}$–3⅝%
3 months	4¼–5%	4 months	$3\frac{9}{16}$–3⅝%
4 months	4¼–5%	6 months	$3\frac{9}{16}$–$3\frac{11}{16}$%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·81$\frac{1}{32}$–$\frac{5}{32}$	Frankfurt	11·76–⅛
Montreal	2·68⅝–$\frac{11}{16}$	Milan	1744⅜–⅝
Amsterdam	10·62–⅛	Oslo	20·01–¼
Brussels	140·38–·39	Paris	13·78⅛–⅜
Copenhagen	19·36¾–·37	Zurich	12·12$\frac{15}{16}$–·13$\frac{1}{16}$

Gilt-edged

Consols 2½%	52⅞	Funding 4% 60–90	91$\frac{1}{16}$
Consols 4%	74¼	Savings 2½% 64–67	84½
War Loan 3½%	66$\frac{9}{16}$	Savings 3% 55–65	90$\frac{11}{16}$xd
Conversion 3½%	66⅞	Savings 3% 60–70	81⅝xd
Conversion 3½% 1969	88xd	Savings 3% 65–75	76$\frac{5}{16}$xd
Exch'qu'r 5½% 1966	102½xd	Treasury 2½%	49$\frac{11}{16}$
Funding 3% 66–68	84⅞	Treasury 3½% 77–80	79¼
Funding 3% 59–69	84$\frac{15}{16}$	Tre's'ry 3½% 79–81	78$\frac{3}{16}$xd
Funding 3½% 99–04	72$\frac{13}{16}$	Victory 4%	95½xd

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Hinton *v.* Maden & Ireland Limited

In the House of Lords
July 16th, 1959
(Before Lord REID, Lord TUCKER,
Lord KEITH OF AVONHOLM, Lord DENNING
and Lord JENKINS)

Income tax – Investment allowances – Knives and lasts – Whether machinery or plant – Whether implements, utensils or articles – Whether capital expenditure – Income Tax Act, 1952, Section 137 (d) – Finance Act, 1954, Section 16 (3).

The respondent carried on business as a manufacturer of boots, shoes and slippers. A number of heavy machines were used in the business, and the knives and lasts were inserted into the machines. The knives wear out quickly and have to be replaced frequently. Every type of shoe requires its own shape of knife and last. The machines cannot function without the knives and lasts, and the knives and lasts are useless except when placed in the appropriate machines. About £6,000 a year was spent on maintaining the stock of knives and lasts; and one-sixth had been allowed as a deduction every half-year calculated on the expenditure in the previous three years, in computing the company's profits for tax purposes.

It was contended on behalf of the appellant that the expenditure on the knives and lasts was not expenditure on capital account, but on revenue account; and that they were not parts of the machines, but were chattels. It was contended on behalf of the respondent that the expenditure was on capital account, and was expenditure on machinery or plant,

and was entitled to the capital allowances provided therefor. The Special Commissioners decided in favour of the company.

Held: (affirming the judgment of the Court of Appeal) (1) that the knives and lasts were machinery or plant; (2) that the expenditure was capital expenditure.

Ostime *v.* Australian Mutual Provident Society

In the House of Lords
July 16th, 1959
(Before Lord RADCLIFFE, Lord TUCKER, Lord SOMERVELL OF HARROW, Lord DENNING and Lord BIRKETT)

Income tax – Mutual life assurance – Overseas company – Assessment of proportion of income from life assurance fund – Whether assessment on profits – Double taxation relief – Income Tax Act, 1952, Sections 426, 430 – Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806).

The respondent, a mutual life assurance society, had its head office in Australia, and carried on business in the United Kingdom through a branch. For income tax purposes the society's life assurance business was treated as a separate business, and, in consequence of Section 430 of the Income Tax Act, 1952, the income from the investments of its life assurance fund was deemed to be profits chargeable under Case III of Schedule D, in the same proportion as the aggregate of premiums received in the year in question from policy-holders resident in the United Kingdom bore to the total of premiums received by the society.

The society claimed to be exempt from income tax in respect of its investment income pursuant to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806). The appellant contended before the Special Commissioners that Article III (2) of the Order did not exempt the investment income from United Kingdom tax, because the society was engaged in a trade or business in the United Kingdom through a permanent establishment situated therein. The Special Commissioners decided in favour of the society. In the High Court it was contended on behalf of the appellant that the phrase 'industrial or commercial profits' for the purposes of the Order meant profits arising from actual activities yielding profit; and that as the society was carrying on a mutual insurance business, and therefore had no profit for income tax purposes, the Order did not apply. It was also contended that the Order was concerned only with profits taxable under Case I of Schedule D, and did not apply to the subject-matter of tax under Case III of that schedule.

Held: (Lord Denning dissenting) (affirming the decision of the Court of Appeal) that the Society's taxable surpluses were profits for the purposes of the order, and that the claim to exemption was valid.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL MEETING OF MEMBERS

Fellowship Proposals Confirmed

A special meeting of members of The Institute of Chartered Accountants in England and Wales was held at the Hall of the Chartered Insurance Institute, London, on August 5th. Mr C. U. Peat, M.C., M.A., F.C.A., the President, was in the chair.

After it had been agreed to take the notice convening the meeting as read, the President said:

At the special meeting of members held on June 2nd, 1959, a resolution was passed effecting alterations in the provisions governing fellowship of the Institute and the corresponding alteration in the use of the letters 'F.S.A.A.' by incorporated accountant members. As you were informed in the notice convening today's meeting, the required majority for the resolution was obtained on the poll which was demanded at the June meeting.

Before the proposed changes in the Charter and bye-laws may be submitted to Her Majesty in Council for allowance, the resolution must be confirmed by a majority of members present and voting at a subsequent meeting. That is the business to be transacted at this meeting.

I have before me a copy of the resolution which I have signed for the purpose of identification. Do you agree that the text may be taken as read? (*Agreed.*)

I do not know whether you would wish the Secretary to inform you as to the exact result of the poll; perhaps it would be a good thing if he did so.

The Secretary (Mr Alan S. MacIver): The report of the scrutineers is as follows:

'We, the undersigned, being the scrutineers appointed pursuant to bye-law 99 at the above-mentioned meeting, report pursuant to bye-law 100 that in respect of the resolution moved at that meeting and on which a poll was demanded:

We have examined 18,105 voting papers;
14,231 papers recorded votes for the resolution;
3,825 papers recorded votes against the resolution;
49 papers have been rejected by us.
18,105

Our reasons for rejecting 49 papers were as follows:
31 papers were unsigned;
13 papers did not contain sufficient detail to identify the voter as being a member.
5 papers did not record a vote.

(*Signed*) L. W. Bingham
B. W. Rivett
L. Pells
G. F. Ansell
J. F. Taylor.'

The President: Thank you, Mr Secretary. I will now formally move:

> 'That the resolution passed on a show of hands at the special meeting held on June 2nd, 1959, and subsequently by a poll of all members (a copy of which resolution has been produced to this meeting and for identification signed by the chairman hereof) be and is hereby confirmed.'

I will ask Sir William Carrington to second.

Sir William Carrington: I have much pleasure in seconding that proposal.

The President: The meeting is now open for discussion.

DISCUSSION

A Member: Can you tell me how many fellows voted for and how many against the resolution?

The President: I am afraid I have not got that information.

Mr L. H. Wrigley, F.C.A. (London): Mr President and gentlemen, Henry Cotton said 'Do not worry about the hole you have played; worry about the one you have got to play'. Therefore this afternoon I will not indulge in vituperation about the past, but only mention the viewpoint of a member in Liverpool who happened to write to me and describe it as a fraud on the minority. I do, however, want to appeal, if I may, to this meeting to think very deeply and very seriously before they vote this afternoon on two viewpoints. Leaving the past right out of it, practising accountants are the last buffer state between the Government and the taxpayer. By this denigration, lowering of standards, lowering of prestige – all of which I dealt with before – we shall loosen that buffer state.

More important than that, I think, sir, is the future effect on young men who wish to come into this profession or this calling; after all, this profession is a calling. You have to be a certain type of man to be a practising accountant; you have to be a certain type of man to be on the staff of a practising accountant today. You have to feel the thrill of practising; you do not have to worry about remuneration, but just enjoy the excitement of what is being done. I feel that if this confirmation is passed today, some young men in the future – even present articled clerks – may well be put off from attaining practising status because of the lack of prestige in it, and the profession may well lose a good many men over it. I do earnestly ask you, gentlemen, to think very seriously before you vote for this confirmation this afternoon. Thank you, sir. (*Applause.*)

Mr W. A. C. Smelt, O.B.E., A.C.A. (London): As the previous speaker has mentioned prestige, there are two points which I would like to make on that. First of all, I do not think that the qualifications of M.A. and B.A. suffer any denigration because the higher one is subject to a very modest test. Secondly, if prestige is a matter of importance, and I believe it is, there are many accountants not practising in the profession who carry the banner of the Institute very high. (*Hear, hear.*) There is the managing director of B.O.A.C. and there are many well-known members of this Institute who are carrying their professional qualifications in New York, Sydney, Cape Town and all over the world. I suggest that there are many people not working in the profession who are doing a good job for the Institute. I personally claim the right to speak for the non-professional as the one-time treasurer of a British Colony, and I have often wondered why we were not allowed the privilege of being fellows when we see it available to a junior partner of a small country practice. (*Applause.*)

Mr J. W. Shock, M.A., F.C.A. (London): If I may just reply to what the last speaker has said, I think the answer to the distinction between the professional and the non-professional accountant arises simply from the fact that one is in the profession and the other is out of it. Fellowship is, and always has been since the Institute started, the right of a professional accountant. It is now proposed that that right should be taken away from him, which I think is the point Mr Wrigley made at the previous meeting. That right, in my opinion, should not be taken away from professional accountants without professional accountants themselves being consulted on the matter. It is a right that is being taken away from one section of the members of the Institute and I think it is quite wrong for it to be taken away without those members themselves signifying their assent to its loss. (*Applause.*)

Mr M. R. Nathan, F.C.A. (London): Mr President, I would like to endorse the last speaker's statement. I am not so much against the proposal as the method by which the members of the Institute were approached. I understand that it is not legally necessary to have separate class meetings of fellows and associates to pass this. However, I feel sure there is a moral duty on the members of the Council to have separate class meetings, because it is, in effect, a variation of class rights. I feel that fellows would respond to such a class meeting and I feel that the Institute's approach shows a lack of understanding of the interests of fellows.

Mr J. A. Wells, F.C.A. (London): I was away on holiday when we had the last meeting, but I read the report of that meeting and it seems to me that one point was made very clearly. It is this: We might have two associates who pass their examinations and start out in the profession. One goes into the profession and the other one decides to open a sweet shop. The one that goes into the profession, after five years has obtained the practising qualification for a fellowship and persons approaching a professional accountant and seeing that he is a fellow are entitled to assume, and they do assume, that he has reached a certain standard in our profession, a higher standing than that of an associate who has not been in practice. It seems to me totally wrong that this associate who has been in a sweet shop for ten years should have the same qualification and standing as the other associate. That seems to me to be quite wrong. We seem to be taking away something from the existing fellows and not replacing it. It is perfectly proper and in order that a chartered accountant in industry should have some recognition of his attainments in industry, and I cannot help feeling that if he is now going to become a fellow, the associate who is in practice should have some additional qualification, such as being able to qualify for a 'master of accountancy' or 'doctor of accountancy'. I feel there must be some differentiation between an associate in industry and an associate who has been in practice for a period of years. (*Applause.*)

The President: Well, gentlemen, I do not think it is necessary for me to make any closing remarks. We have listened with interest to what you have had to say but there is little that is new so far as we are concerned. I assure you that the Council have for some years constantly considered just the points you have been raising.

With regard to the last speaker, Mr Wells, he has made a suggestion which, so far as I know, has not been made before. I do not know whether it is practical or not. His suggestion, as I understand it, is that there should be some other qualification for a professional man who has reached a certain standing in our profession, and he has suggested a doctorate or something like that. We will certainly consider that one, Mr Wells, and thank you for making the point which might possibly be a useful one.

There is only one thing I would like to say about Mr Nathan's remarks – and Mr Shock also mentioned it – and that is that the Council have taken a strong stand from the point of view of treating the profession as a whole. We have fought, and we shall continue to fight in every possible way against sectionalizing the profession. We want to incorporate industrial accountants many of whom, as has been said, are very distinguished people and such a great advertisement for our profession, and in that way we want to keep them with us. Nothing will change our minds on that subject. We do not want sectional meetings and we do not intend to have different meetings to discuss these things.

RESOLUTION CARRIED

I hope I have covered all the points and I do not think there is anything more I need say, so I will now put the motion to the meeting. Those in favour? Those against? It is obviously carried – I do not think it is necessary to have tellers. I declare the resolution carried and that ends the meeting, gentlemen. My thanks to you for coming.

Mr F. W. McGuinness, T.D., A.C.A. (London): Ladies and gentlemen, I think before we break up it would be remiss of us not to pass a vote of thanks to our President for his conduct of the meeting, and, if I am not entirely out of order, I would like to couple with it a vote of thanks to the Immediate Past President for his exemplary conduct of our rather difficult meeting the last time we met in this room. I have very much pleasure in proposing that a vote of thanks be accorded to our chairman today and to the chairman of the previous meeting for their conduct of those meetings.

The motion was carried by acclamation.

The President: Thank you, sir, and gentlemen, very much on behalf of myself and the Immediate Past President. Thank you very much.

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, August 5th, 1959, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the chair; Mr S. J. Pears, Vice-President; Messrs J. Ainsworth, M.B.E., E. Baldry, O.B.E., W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, J. A. Jackson, W. H. Lawson, C.B.E., R. B. Leech, M.B.E., T.D., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Examination Results – May 1959

The Examination Committee reported the results of the examinations held in May 1959 as follows:

	Passed	*Failed*	*Total*
Preliminary	67	148	215
Intermediate	762	865	1,627
Final	512	640	1,152
	1,341	1,653	2,994

The following prizes and certificates of merit were awarded:

INTERMEDIATE

First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Taxation and Cost Accounting
A. W. Davies (C. I. Steen), London.

Second Certificate of Merit, the Tom Walton Prize and the Plender Prize for the paper on General Commercial Knowledge
R. A. May (M. E. G. Prince), London.

Third Certificate of Merit, and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize
P. N. Smith (G. E. Morrish), London.

Fourth Certificate of Merit
J. A. Lane (T. E. Entwistle), Liverpool.
C. J. Middleton (H. Price), Eastbourne.
B. Tetley (J. W. G. Mitchell), Bradford.

Seventh Certificate of Merit
K. E. Loney (E. R. Siddle), Taunton.
H. Pullan (H. Anderson), Leeds.

Ninth Certificate of Merit
J. P. Dornton (H. M. Hawthorne), London.

Tenth Certificate of Merit
J. H. Llewellyn-Jones (H. J. Wells), London.

Eleventh Certificate of Merit
R. A. A. Hepworth (O. B. T. Bennett), Oxford.

Twelfth Certificate of Merit
M. R. Lawrance (A. Pennington), London.

Thirteenth Certificate of Merit
A. J. D. Ferguson (J. D. Ferguson), London.
D. M. Kevan (N. G. Willis), Liverpool.

Fifteenth Certificate of Merit
A. C. Langridge (A. E. Burton), London.

Sixteenth Certificate of Merit
D. L. Tucker (C. W. Wildy), London.
T. R. Verey (J. P. N. Brogden), Portsmouth.

Eighteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)
M. O. Penney (H. W. C. Airey), London.

Nineteenth Certificate of Merit
M. E. Lake (R. W. Wheeler), London.

Plender Prize for the paper on Book-keeping and Accounts (Partnership)
G. V. Wade (G. S. Major), Birmingham.

Plender Prize for the paper on Book-keeping and Accounts (Executorship)
A. W. Kay (W. T. R. Masterson), London.

Plender Prize for the paper on Auditing
D. W. Hill (R. W. C. Dunn), Birmingham.

FINAL

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prize for the paper on English Law (Part I)
W. K. Ng (F. S. Young), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part II)
P. M. Burnham (M. D. Carr), London.

Third Certificate of Merit and the Plender Prize for the paper on Taxation
B. R. Dunn (W. L. Dunn), Nottingham.

Fourth Certificate of Merit
J. B. Barton (P. H. Blandy), Nottingham.

Fourth Certificate of Merit, the Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part I) and Advanced Accounting (Part II)
G. Goddard (V. P. Edwards), Worthing.

Sixth Certificate of Merit
K. N. Roberts (N. Johnson), Chester.

Seventh Certificate of Merit
R. A. Duparc (L. B. Prince), London.

Eighth Certificate of Merit
B. F. G. Finlay (Sir William Carrington), London.

William Quilter Prize and the Plender Prize for the paper on Auditing
J. R. Leigh (R. W. Leigh), London.

Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting
D. Auerbach (B. Keane), London.

Also reported were the results of the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants:

	Passed	*Failed*	*Total*	*Completing examination*
Intermediate	163	216	379	163
Final – Parts I and II together ..	5	9	14	5
Part I only ..	†109	75	184	5
Part II only ..	††244	160	404	243

†Includes ten candidates who sat for both parts of the Final examination and passed in Part I only.

††Includes one candidate who sat for both parts of the Final examination and passed in Part II only.

Honours certificates were awarded to the following candidates in the Intermediate examination of the Society:

(in alphabetical order)
P. S. Clutterbuck, London.
C. S. Dixon, Birmingham.
K. A. Parton (A. L. Blower), Wolverhampton.
D. E. Philpot (G. E. Morrish), London.
K. S. Potter (S. Potter), Great Yarmouth.
W. J. Procter (J. H. Annison), Worthing.

Certificates Required by Trade Associations and Other Bodies

The Council authorized the publication of the following statement:

1. Trade associations, Government and local government departments and other bodies frequently require the signature of an independent accountant in support of information contained in a trader's claim for a subsidy or rebate or for special trading terms or facilities, or in a return required for the calculation of a quota or levy or for statistical use in a particular trade.

2. This is a useful service which practising members of the Institute can provide, but they can only report on matters which are within, and in terms appropriate to, their professional function as accountants. Unfortunately the statements they are expected to sign are often based on an imperfect understanding of the function which the independent accountant can properly and economically perform. In consequence these statements are frequently unsuitable in one or more of the following respects:

(*a*) their scope extends to matters outside the functions of an accountant;

(*b*) their form is such that the accountant is expected to certify the correctness of information given – a factual assertion – in circumstances in which it is not feasible for him to do more than his normal professional service of expressing an independent opinion;

(*c*) the amount of work required of the accountant, and often of his client, may involve disproportionate expense.

These three aspects are considered in more detail below.

3. *Scope.* It is not within the scope of an independent accountant to report on such matters as:

(*a*) the intentions of his client, for example, as to the purpose for which articles or commodities were acquired or the manner in which they are to be used or dealt with;

(*b*) the technical constitution or quality of a product.

He can, however, properly report whether a statement (in suitable form) showing, as regards (*a*), the purchases made and the manner in which they have been used, or as regards (*b*), the ingredients which have been used in making the product, is in accordance with the records he has examined. If required he can also give his opinion, based on appropriate tests and inquiries, as to the reliability of those records.

4. *Form.* Much misunderstanding arises from misuse of the words 'certificate' and 'certify'. The statement of the independent accountant is properly described as a 'report' rather than a 'certificate', but, whichever term is used as a general description of the statement, the word 'certify' is generally inappropriate in the body of the statement. This may be so for either or both of two reasons:

(*a*) the word 'certify' implies a factual assertion and can therefore only properly be used by the independent accountant in relation to matters of fact of which he has or can obtain first-hand knowledge; he can certify that a given statement is in accordance with particular records or documents because this is a fact which he can verify at first-hand, but he can rarely certify that the records themselves are correct for he cannot normally be sure that he has access at first-hand to all the facts behind them; moreover the records may themselves reflect apportionments and allocations which are matters of judgment or interpretation rather than of fact alone;

(*b*) even in relation to facts which it is possible for an independent accountant to ascertain at first-hand, he can only certify those facts if he has confirmed them in their entirety; on matters which he has subjected only to appropriate tests and inquiries, which is the accountant's normal procedure, he cannot do more than express his opinion.

5. *Cost.* The bodies requiring the information and the clients concerned often do not realize either the extent of the work and consequent expense which the requirements are likely to impose or the extent of the saving which could be achieved by suitable modification of those requirements. Moreover, if the accountant is required only to report whether a statement is in accordance with the relevant records, that entails much less work and expense than a form of words which involves him in forming an opinion as to the reliability of those records or as to the truth and fairness of the statement. Savings in work and expense may also be achieved where the accountant is able to suggest changes in the form of his client's records so that the information is more readily obtainable therefrom.

6. **Conclusions.** Unless these three aspects (scope, form and cost) are all given careful attention, serious misunderstanding may arise as to the extent both of the responsibility accepted by the accountant and of the work which he must do to discharge it. The Council therefore wishes to emphasize the following considerations:

(*a*) a statement is not suitable for signature by a practising member unless –

(i) its subject-matter is unambiguous and wholly within the province of an independent accountant (paragraph 3);

(ii) its wording makes clear the extent of the responsibility which the accountant is taking and in particular does not require him to certify the correctness of matters on which he cannot do more than express his professional opinion (paragraph 4);

(*b*) care should be taken to see that undertakings in respect of which reports are required are not involved in disproportionate or unnecessary expense (paragraph 5);
(*c*) members who are asked to furnish reports which are unsuitable (see (*a*) above) should, with the client's consent, take up the matter with the body by whom the report is required; this will be necessary where there is need for the removal of ambiguity in the requirements or for an interpretation of technical trade expressions, or where there is need for significant modification of the scope or wording of the report either because of its inherent unsuitability or to save disproportionate expense;
(*d*) it should nearly always be possible to amend the wording in such a way as to correct its unsuitability while still satisfying the purpose for which the report is required; failure to agree appropriate amendments with the body concerned should not deter the accountant from making them;
(*e*) the accountant's responsibility is to report on the claim or statement made by his client; in principle therefore the information on which the accountant is to report should be set out not in his report but in a declaration signed by the client, to which the accountant's report can then be annexed.

7. All members, including those in industry and commerce and particularly members who advise trade associations, are asked to help to ensure that practising members are not confronted with 'certificates' which are unsuitable for their signature. Practising members are invited to communicate with the Secretary of the Institute if they are unsuccessful in their efforts to obtain acceptance of an appropriate form of report.

8. Additional copies of this Council statement are available to members, without charge, for the information of clients and of trade associations and other bodies.

Revocation of Exclusion

Two applications for revocation of exclusion were refused.

Registration of Articles

The Secretary reported the registration of eighty-nine articles of clerkship during the last month, the total number since January 1st, 1959, being 1,029.

Admission to Membership

The following were admitted to membership of the Institute:

§Murray, Andrew Milne; A.S.A.A., 1959; 5 Durham Court, 21 Ameshoff Street, Clifton, Johannesburg.
Sharp, John William Edward; A.C.A., 1959; with Price Waterhouse Peat & Co, Caixa Postal 1978, São Paulo, Brazil.

Elections to Fellowship

The following were elected to fellowship:

Abrahams, Hyman; A.C.A., 1954; (Henry Abrahams), Gloucester Mansions, Cambridge Circus, London, WC2.
Ashton, John; A.C.A., 1938; (†Paice, Chatteris, Barclay & Co), P.O. Box 160, Ndola, Northern Rhodesia.
Bardsley, John; A.C.A., 1929; (J. Bardsley & Co), 16a Carter Gate, Newark, Notts.
Bird, Alan Morris; A.C.A., 1953; (Carline, Watson, Bird & Co), 57–59 Saltergate, Chesterfield; also at Doncaster (J. Thurgood & Co).
Bloom, Gordon Lionel; B.A.(COM.); A.C.A., 1950; (Lewis Bloom & Co), 13 Harley Street, Cavendish Square, London, W1.
Chilton, Joseph; A.C.A., 1952; (J. Civval & Co), 30 Baker Street, London, W1.
Elliott, Stephen; A.C.A., 1947; (* Ridell Stead, Graham & Hutchison), and (*Barton, Mayhew & Co), 66 King Street West, Toronto, 1, Canada, and at Calgary, Edmonton, Hamilton, London (Ontario), Montreal, Ottawa, Quebec City, Regina, Vancouver and Winnipeg.
Goodare, John Shaw; A.C.A., 1947; (Clark, Darby & Goodare), 54 Camp Hill, Birmingham, 12.
Goodman, Harold Leslie; A.C.A., 1952; (Hamilton, Shor & Co), Craven House, 121 Kingsway, London, WC2.
Hale, Peter Stanley; A.C.A., 1940; 39 Lea Road, Wolverhampton.
Kemp, Roderick Charles; A.C.A., 1952; (*Peat, Marwick, Mitchell & Co), Sandringham House, Shirley Street, (P.O. Box 123), Nassau, Bahamas, and at Kingston and Montego Bay.
Lewis, David; A.C.A., 1950; (Lewis, Bloom & Co), 13 Harley Street, Cavendish Square, London, W1.
McMillan, Eric Douglas; A.C.A., 1938; (†Price Waterhouse & Co), 3 Frederick's Place, Old Jewry, London, EC2; (for other towns see †Price Waterhouse & Co.)
May, Claude Vincent; A.C.A., 1950; (*Peat, Marwick, Mitchell & Co), 22/24 Duke Street, (P.O. Box 76), Kingston, Jamaica, and at Montego Bay.
Redhead, Donald John; A.C.A., 1951; (*Martin, Redhead & Co) and (Redhead & Co), 225/7 High Road, Ilford, Essex; also at Hornchurch (Redhead & Co).
Simpson, David Broadbent; A.C.A., 1953; (Simpson, Wood & Co), Bank Chambers, Market Street, Huddersfield.
Thwaites, William Alexander; A.C.A., 1952; (*Peat, Marwick, Mitchell & Co), 22/24 Duke Street, (P.O. Box 76), Kingston, Jamaica, and at Montego Bay.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Ackroyd, John Henry; A.C.A., 1958; (S. 1957); 1463 Thornton Road, Thornton, Bradford.
Blinkhorn, Alan; A.C.A., 1959; (Newton & Blinkhorn), 23 Wood Street, Bolton.
Boulter, Roy Eric; A.C.A., 1958; (S. 1957); (Massey & Ellison), Princes Chambers, 6 Corporation Street, Birmingham, 2.
Brooking, Antony Clive; A.C.A., 1957; (Brooking, Holmes & Co), Lloyds Bank Chambers, Basingstoke.
Coates, Michael Arthur; A.C.A., 1951; (†Price Waterhouse & Co), 3 Frederick's Place, Old Jewry, London, EC2; (for other towns see †Price Waterhouse & Co).
Darby, John Oliver Robertson; A.C.A., 1953; (Broads, Paterson & Co), 31/45 Gresham Street, London, EC2, and at Chicago, New York and Paris.
Davidson, John Anthony; A.C.A., 1952; (Alfred G. Deacon & Co) National Chambers, 4 Horsefair Street, Leicester.
Diamond, Laurence Stanley, A.C.A., 1956; (Laurence S. Diamond & Co), 15 Cotswold House, Stamford Hill, London, N16.
Dixon, Hugh Frederick; A.C.A., 1957; (Alfred G. Deacon & Co), National Chambers, 4 Horsefair Street, Leicester, and at London.
Dixon, James Rylott; A.C.A., 1954; (Richard Place & Co), Holly Lodge, Brighton Road, Crawley, Sussex, and at East Grinstead.

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§ means 'incorporated accountant member'.
Firms not marked † or * are composed wholly of members of the Institute.
† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
¶means 'member in practice'.

§Dixon, Reginald Errington; (1958), A.S.A.A., 1933; 65 St Leonards Road, Deal.
Errington, Peter; A.C.A., 1958; (S. 1954); (W. R. Gresty & Co), Midland Bank Chambers, 97/100, Bute Street, Cardiff.
Farley, John Martin; A.C.A., 1959; (Charles D. Buckle & Co), 13 Cheapside, Bradford, 1.
Farrow, James Alfred; A.C.A., 1958; (S. 1925); (John Gordon, Walton & Co), 7 South Parade, Leeds, 1.
Gainsford, John Joseph; A.C.A., 1958; (John J. Gainsford & Co), 2 Herons Lea, Sheldon Avenue, London, N6.
Glover, Henry Michael; A.C.A., 1949; Merton Lodge, Havant Road, Emsworth, Hants.
Goldsmith, John Arthur; M.A., A.C.A., 1951; (Robson, Morrow & Co), 59 New Cavendish Street, London, W1, and at Birmingham, Glasgow and Sheffield.
Greenwood, David Leonard; A.C.A., 1954; (Gane, Jackson, Jefferys & Freeman), City Gate House, Finsbury Square, London, EC2.
Haley, Kenneth Charles; A.C.A., 1958; (S. 1950), (Bradburn & Co), Duchy Chambers, 24 Sir Thomas Street, Liverpool, 1.
Hall, Peter; A.C.A., 1958; (S. 1943) (Richard Place & Co), 27 Cantelupe Road, East Grinstead, Sussex, and at Crawley.
Hall, Richard; A.C.A., 1940; (T. & H. P. Bee), 13 Chapel Street, Preston.
Hemingway, Peter; A.C.A., 1958; (S. 1951); (John Gordon, Walton & Co), 7 South Parade, Leeds, 1.
Herbert, Dunstan Antony; A.C.A., 1958; (S. 1936); (†Chalmers, Wade & Co), 24 Coleman Street, London, EC2; (for other towns see† Chalmers, Wade & Co).
Hughes, William Philip; A.C.A., 1929; (James, Edwards & Co), Salisbury House, London Wall, London, EC2.
Isherwood, Michael Slater; A.C.A., 1953; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.
Jackson, Peter Humphrey; A.C.A., 1957; (Allen, Baldry, Holman & Best), Bilbao House, 36 New Broad Street, London, EC2.
Legg, Leslie Harry James; A.C.A., 1959; (Wellden, Legg & Co), 24 High Street, Cobham, Surrey.
Macdonald, James Keith; A.C.A., 1958 (S. 1956); (Muir, Moody & Co), 388 Seven Sisters Road, Finsbury Park, London, N4.
McKown, Brian; A.C.A., 1959; 28 Keble Avenue, Oldham.
Magee, Laurence Frederick; A.C.A., 1958; (F. A. Magee & Co), Western Chambers, Station Approach, Hayes, Middlesex.
Millington, Brian John; A.C.A., 1955; 8 Maple Road, Blackheath, Birmingham.
Pagett, Ralph Trevor; A.C.A., 1958; (S. 1941); (Spenser, Wilson & Co), Equitable Chambers, Central Street, Halifax.
Payne, Laurence Gilbert; A.C.A., 1957; (Malpas, Simmons & Co), 261a Finchley Road, London, NW3, and at Bournemouth.
Pringle, Clifford; A.C.A., 1950; (A. W. Price, Rose & Smith), 23 Grey Street, Newcastle upon Tyne, 1.
§Reynolds, Eric James; (1958) A.S.A.A., 1949; 104 Aldykes, Hatfield, Herts.
Richmond, Kenneth; A.C.A., 1958; (S. 1954); (T. & H. P. Bee), 56 Adelaide Street, Fleetwood, Lancs.
Riley, Sydney Sterndale; A.C.A., 1948; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.
Robey, Edward Peter; A.C.A., 1954; (Cook, Sutton & Co), Orbit House, 64–65 St Mary's Butts, Reading.
Roper, David Harry; A.C.A., 1956; (Leigh, Lawler & Hooper), 55 Hoghton Street, Southport.
Simpson, Harry Donald Edward; A.C.A., 1955; 28 Forest Drive, Theydon Bois, Essex.
Stocker, Denis George; A.C.A., 1959; (Ernest A. Fox & Co), 35 Crook Log, Bexleyheath, Kent.
Tabor, John Douglas; A.C.A., 1955; 73 Forest Approach, Woodford Green, Essex.
Trathen, Anthony Christopher; A.C.A., 1957; (*C. Trathen & Co), 66 Silver Street, Enfield, Middlesex.
Vince, Peter George; A.C.A., 1954; (Maw, Ellis, Warne & Co), 242 London Road, Waterlooville, Hants.
Vowles, Howard Gordon Kenneth; A.C.A., 1958; (Lawrence D. Rose & Co), Ludgate House, Ludgate Circus, London, EC4.
Woolcott, John; A.C.A., 1954; (*Clifford L. Hancock & Co), Fore Street, Okehampton, Devon.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the Scheme of Integration referred to in clause 34 of the supplemental Charter.

¶Afzal, Syed Ahmad; F.C.A., 1959; (S. 1935, f. 1939); (S. A. Afzal & Co), 190B Block 2, P.E.C.H. Society, Karachi, Pakistan.
§Elffers, Pieter Bernhard Willem; (1959), A.S.A.A., 1924; 607 Prince George Avenue, Brakpan, South Africa.

Summer Course, 1959

The Chairman of the Summer Course Committee reported on the proceedings at Christ Church, and Merton College, Oxford, from July 9th to 14th, 1959, and stated that the President had sent letters of appreciation to the three speakers, to the governing bodies of Christ Church and Merton College, and all others concerned with the conduct of the course. The Council decided that the programme and full text of the three addresses should be reprinted in the form of a combined booklet similar to those prepared for previous courses. Copies will be printed as soon as possible and will be obtainable on application to the Secretary of the Institute, price 5s each, post free. An order form will be sent to all members when the booklet has been printed. Members are requested not to apply for copies until they have received the order form.

Summer Course, 1960

The Council has approved the holding of a similar course from Thursday, September 15th, to Tuesday September 20th, 1960.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

Exemption from the Intermediate Examination

Two applications under bye-law 85 (*b*) for exemption from the Intermediate Examination were acceded to and one was refused.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

Lutz Guterman to Louis Goodman.

Resignations

The Council accepted the resignations from membership of the Institute of:

Burr, Donald Edwin; A.C.A., 1958; (S. 1950); 43 Somersby Gardens, Ilford, Essex.

Evershed, Norman William; A.C.A., 1933; 244 London Road, St Albans.
Gadd, Robert Charles; A.C.A., 1948; Ste. 503, 2300 Portage Avenue, Winnipeg 12, Manitoba, Canada.
Jones, Cecil Russell; M.B.E., A.C.A., 1925; Managing Director, Bladons Ltd, Prospect Street, Hull.
Wicks, William Leonard; A.C.A., 1958; 5 Somerset Road, Salisbury, Wilts.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Frank Leslie Buttler, F.C.A., London.
„ Cecil Dryden Dryden, A.C.A., Salisbury, Southern Rhodesia.
„ Frank William Hanson, F.C.A., Castleford.
Mr Ronald Edwin Macfadyon, F.C.A., Newcastle upon Tyne.
„ Harry Leonard Millward, A.C.A., Ewell.
„ James Percival Moore, F.C.A., Bury.
„ David Pelton, A.C.A., London.
„ Donald Lorraine Robison, A.C.A., Christchurch, New Zealand.
„ John Francis Remington, F.C.A., Birmingham.
„ Leslie Courtney Savage, A.C.A., Eastbourne.
„ Albert Edward Southern, F.C.A., Vancouver.
„ Arthur Mellors Stray, F.C.A., London.
„ Alan Ralph Thompson, F.S.A.A., Portsmouth.
„ Walter Vale, F.C.A., Steyning.
„ John Storr Walker, F.C.A., Blackpool.
„ Stanley Williams, A.C.A., Birmingham.
„ Christopher Harding Young, M.B.E., F.C.A., Burnham-on-Sea.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXL: January–June 1959

The general index to Volume CXL (January–June 1959), publication of which has been unavoidably delayed, will be included in next week's issue.

PERSONAL

MR S. GORDON WEAVER, F.C.A., practising under the style of S. GORDON WEAVER & CO, Chartered Accountants, of 183 High Road, Loughton, Essex, announces that Mr D. C. BARTON, A.C.A., who has been associated with the firm for some time, has been admitted as a partner as from August 1st, 1959. The name of the firm will be GORDON WEAVER, BARTON & Co.

MESSRS PRICE WATERHOUSE & Co (Malayan firm) and Messrs EVATT & Co (of Singapore and the Federation of Malaya) announce that Mr P. G. GRUNDY, A.C.A., has been admitted into partnership.

MESSRS SILVER, ALTMAN & CO, Chartered Accountants, of Napier House, 24–27 High Holborn, London, WC1, announce that Mr J. ALTMAN, F.C.A., has retired as from July 25th, 1959, to practise elsewhere. The firm is being continued in the same name by the three remaining partners, Messrs E. C. SILVER, F.C.A., S. MORRIS, F.C.A., and S. GOLDWATER, A.C.A.

MR J. ALTMAN, F.C.A., announces that having retired from the firm of SILVER, ALTMAN & Co, he has admitted into partnership Mr A. WITZLEB, A.C.A., and they are practising as J. ALTMAN & Co, Chartered Accountants, at 36 Seymour Street, Portman Square, London, W1. Telephone: Ambassador 4484–5.

MESSRS CASSON, BECKMAN, RUTLEY & Co announce that as from August 7th, 1959, their offices have been removed from 70 Wimpole Street, London, W1, to 57 Queen Anne Street, London, W1. Telephone: Langham 3901–5.

NEW CHAIRMAN OF F.B.I. TAX COMMITTEE

Mr W. H. Lawson, C.B.E., B.A., F.C.A., a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, and a Past President of The Institute of Chartered Accountants in England and Wales, has been appointed chairman of the Taxation Committee of the Federation of British Industries in succession to Mr Frank Bower who recently retired.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of June 1959 Examinations

Notices to candidates who sat for the examinations of the Association last June will be posted not later than Thursday, August 20th. Full lists of successful candidates will be displayed at the offices of the Association from 12 noon on Friday, August 23rd.

PROFESSIONAL NOTES

Mr P. V. Roberts, A.C.A., having reached retirement age, will relinquish his appointment as chief accountant of The Imperial Tobacco Co Ltd on October 31st, next. He will be succeeded by the deputy chief accountant, Mr Arnold Pym, C.A.

Mr G. P. Walker, F.C.A., managing director of Albert E. Reed & Co Ltd, has been appointed chairman and chief executive of Imperial Paper Co Ltd.

Mr J. H. Clegg, A.C.A., secretary of Sam Kay & Co Ltd, has been elected a director of the company.

Mr S. C. Purkiss, A.C.A., secretary of Ellams Duplicator Co Ltd, has been appointed a director of the company.

Mr Paul D. Irons, B.COM., A.C.A., F.W.C.A., director and secretary of Saunders-Roe Ltd, is resigning his appointments with the company to become financial director of The de Havilland Aircraft Co Ltd as from September 1st, 1959.

Mr Ronald Taylor, A.C.A., chief accountant of William Hollins & Co Ltd for the past seven years, has been appointed a director of the company.

Mr Stewart Cole, F.C.A., has been elected chairman of Associated Fisheries Ltd.

OBITUARY

Sir Andrew Simpson Macharg, J.P., C.A.

It is with regret that we record the death on August 7th at his home in Helensburgh of Sir Andrew Simpson Macharg, J.P., C.A.

Sir Andrew, who was aged 87, was a partner in the former firm of McClelland, Ker & Co, Chartered Accountants, for fifty-three years – from 1900 to 1953 – being the senior partner on his retirement.

Educated at the High School, Glasgow, and Glasgow University, he was admitted a member of the former

Institute of Accountants and Actuaries in Glasgow in 1896 and served as President of that Institute from 1938–40. Well known in the Scottish iron and steel industry, Sir Andrew acted during the Second World War as an adviser to the Minister of Supply on the prices of iron and steel products. He was a former Lord Dean of the Guild of Glasgow and in 1949 was appointed deputy chairman of the Clydesdale Bank of which he had been a director since 1937. He was knighted in 1947.

Mr John Snaith, A.C.A.

We have learned with regret of the death on August 4th, at the age of 66, of Mr John Snaith, A.C.A., secretary of John Rawson & Sons Ltd, of Leicester.

Mr Snaith joined the Leicester firm of Messrs A. C. Palmer & Co, Chartered Accountants, in 1912, and following service in the Leicestershire Regiment throughout the First World War, was admitted an Associate of the former Society of Incorporated Accountants in 1923. He remained in practice until 1943 when he joined John Rawson & Sons Ltd, later becoming secretary of the company.

Mr Snaith specialized in bankruptcy and insolvency work during his period in public practice and was the author of a book on the subject entitled *Insolvency Practice*.

Mr Christopher Harding Young, M.B.E., F.C.A.

We regret to report the death of Mr Christopher Harding Young, M.B.E., F.C.A., which occurred on July 7th. Mr Young, who was 62, had been ill for some months. Before his retirement from active practice in March 1957, he was senior partner in the Bristol firms of Hudson Smith, Briggs & Co and Stanley Holmes & Co.

Articled to the late Mr A. J. Gardner, of Bristol, he subsequently served in France during the First World War and in 1920 was admitted an Associate of The Institute of Chartered Accountants in England and Wales; he was elected to Fellowship of the Institute in 1929. After some years in partnership with his former principal, he became secretary of Mardon, Son & Hall Ltd in 1930, but returned to practice in 1937.

Mr Young was treasurer of the Bristol and West of England Society of Chartered Accountants from 1954–57 and served on the district society committee for twelve years, and for even longer on the regional taxation and research committee. He had been a General Commissioner of Income Tax for many years and was a director of a number of public companies.

Mr Young lived at Berrow Manor, near Burnham-on-Sea, and was one of the best known golfers in the south-west, of which he was a former champion. He leaves a widow and two daughters, both of whom are chartered accountants.

Mr Roy Hopkins

The death was announced recently of Mr Roy Hopkins, the financial journalist and a former assistant editor of *The Economist*. Mr Hopkins, who was 80 years of age, spent his early years with Brown, Shipley & Co, the City bankers. He joined the staff of *The Economist* under the editorship of Mr Hartley Withers, later becoming a director of the London General Press, and was a founder of the Empire Service Agency.

Mr Hopkins retired in 1939, but continued actively as a free-lance writer. He had been an occasional contributor to *The Accountant* over a long period.

IN PARLIAMENT

Income Tax Acts: Penalties

Mr D. PRICE asked the Chancellor of the Exchequer what further consideration he has given to the decision of the Court of Appeal in the case of *C.I.R. v. Hinchy* about the meaning of Section 25 (3), Income Tax Act, 1952; and what action he proposes to take with regard to the penalty provisions of the Income Tax Acts.

Mr SIMON: The particular point raised by this case is still *sub judice*, as the Inland Revenue are appealing to the House of Lords against the decision of the Court of Appeal. My right hon. friend intends, however, to make a full review of the penalty provisions of the Income Tax Acts.

In the meantime, there is one change in practice which can usefully be made as an interim measure. It may be that some misapprehension has arisen from the fact that in cases involving incorrect income tax returns it has been the Inland Revenue's practice to sue in the Courts for the full penalty for which, on their view of the law, Section 25 (3), Income Tax Act, 1952, provided, and not for the reduced amount which in appropriate circumstances they were prepared to accept in the exercise of their statutory power to mitigate penalties. The Inland Revenue now propose, in proceedings in the Courts for penalties for incorrect income tax returns, to sue for the actual sum which they wish to recover by way of penalty, unless there are special circumstances which render that course impracticable.

Hansard, July 30th, 1959. Written Answers. Col. 148.

Double Taxation

Mr RUSSELL asked the Under-Secretary of State for Commonwealth Relations what arrangements are being made for the avoidance of double taxation between the Union of South Africa and the High Commission Territories.

Mr ALPORT: Arrangements between the Governments of the Union of South Africa and of the United Kingdom for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income imposed in the Union of South Africa and the three High Commission Territories of Basutoland, the Bechuanaland Protectorate and Swaziland, were signed at Cape Town on June 18th, 1959. The texts have been published in the High Commissioner's *Gazette*.

Hansard, July 30th, 1959. Written Answers. Col. 132.

ANNOTATED TAX CASES

Part 1 of Volume XXXVIII of the *Annotated Tax Cases* edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *Attorney-General for Northern Ireland v. Heron* (C.A.N.I.); *C.I.R. v. Coia (Achilles Motor Company)* (C.S.); *Stevenston Securities Ltd v. C.I.R.* (C.S.); *C.I.R. v. William Sharp & Son* (C.S.); *Philipson-Stow's Special Representatives v. C.I.R.* (Ch.D.); *C.I.R. v. Lord Trent's Executors* (C.S.); *Independent Television Authority and Associated Rediffusion Ltd v. C.I.R.* (C.A.); *Unit Construction Co Ltd v. Bullock* (C.A.); *Philipson-Stow (No. 2) v. C.I.R.* (Ch.D.); *In re Duke of Westminster's Deed of Appointment* (C.A.); *Thomson v. Moyse* (C.A.); *E.C. (Holdings) Ltd v. C.I.R.* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Examinations held in May 1959

FINAL EXAMINATION

Held on May 26th, 27th, 28th and 29th, 1959.

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prize for the paper on English Law (Part I).
Wing Keung Ng (F. S. Young), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part II)
Peter Michael Burnham (M. D. Carr), London.

Third Certificate of Merit and the Plender Prize for the paper on Taxation.
Brian Russell Dunn (W. L. Dunn), Nottingham.

Fourth Certificate of Merit and he Frederick Whinney Prize and the Plender Prizes for the papers on Advanced Accounting (Part I) and Advanced Accounting (Part II).
Geoffrey Goddard (V. P. Edwards), Worthing.

Fourth Certificate of Merit.
John Bernard Barton (P. H. Blandy), Nottingham.

Sixth Certificate of Merit.
Keith Nicholson Roberts (N. Johnson), Chester.

Seventh Certificate of Merit.
Robert Anthony Duparc (L. B. Prince), London.

Eighth Certificate of Merit.
Basil Fleming Gayer Finlay (Sir W. S. Carrington), London.

Full List of Names of Successful Candidates
(in alphabetical order)

Alcock, B. A. (*S*), Birmingham.
Alden, D. J. (P. B. Norledge), London.
Allen, W. E. (R. W. Warren), London.
Allman, R. H. (F. N. Griffith), Kendal.
Anderson, J. H. (E. A. Radford), Woking.
Andrews, P. R. (H. E. Keeler), Bristol.
Angell, P. G. (J. E. R. Vellacott), London.
Ansdell, P. (F. Gregg), Manchester.
Appleby, D. G. (J. H. Hancock), Sheffield.
Appleby, E. W. (M. J. Bourne), Burton-on-Trent.
Armitage, B. H. (*S*), Leeds.
Arnfield, N. F. (J. G. Worrall), Glossop.
Arnold, M. J. (J. F. Cullingham), London.
Arthur, M. J. (E. W. Newman), Birmingham.
Atwell, B. H. (H. Evans), London.
Auerbach, D. (B. Keane), London. *(Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting.)*

Baker, A. M. (W. J. Carter), Wolverhampton.
Baker, D. H. (F. W. Charles), London.
Ball, D. F. (R. L. Weavers), London.
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Barlow, T. M. (E. P. Major), Birmingham.
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(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

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Johnson, B. K. (G. Tryon), Bristol.
Johnson, C. S. (W. R. Pugsley), London.
Johnson, D. R. (F. C. S. London), London.
Johnson, D. (W. S. C. Charles), Carlisle.
Johnson, R. H. (P. C. G. Larking), Maidstone.
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Jones, J. T. L. (H. W. Vaughan), Swansea.
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Leigh, J. R. (R. W. Leigh), London. (*William Quilter Prize and the Plender Prize for the paper on Auditing.*)
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Lowe, A. D. (F. A. W. Palmer), Croydon.
Lowthian, J. E. (J. W. Parker), Penrith.
Lunt, M. J. W. (A. E. Spicer), London.
Lunt, P. C. W. (H. S. Rose), London.

McCarthy, B. J. (B. M. Smith), London.
McCullagh, J. C. (F. R. Leeds), London.
McGibbon, L. (L. G. Spencer), Newcastle upon Tyne.
MacKenzie, J. D. (C. G. Hayes), London.
McManus, M. A. (S. Marsh), St Helens.
McNay, B. (E. F. Crossley), Manchester.
Mankin, R. M. (A. S. Hill), Coventry.
Marshall, T. W. (E. D. Q. D'Alton), London.
Marston, B. (L. W. Parsonage), Sheffield.
Martin, K. A. G. (F. S. Smith), London.
Martin, P. R. (P. G. Hounsfield), London.
Martins, J. S. (J. Diamond), London.
Mascarenhas, C. K. (W. P. Grimwood), London.
Masterson, P. T. (J. D. Thornley), Manchester.
Mather, J. S. (P. J. Y. Jehring), London.
Mauler, H. E. W. (C. J. Holliday), Stroud.
Mayfield, A. M. W. (G. B. Robins), Hull.
Mendelssohn, R. G. (R. T. Janney), Birmingham.
Mercer, M. J. (R. F. Bell), London.
Milligan, D. Q. (F. C. Holloway), London.
Milsom, A. R. (J. Collins), Leicester.
Mitchell, J. E. (M. S. Bradford), London.
Moppett, J. S. (L. D. Morse), London.
Morris, B. (H. French), Hereford.
Morris, J. R. (D. C. Hobson), London.
Morris-Jones, D. T. (R. S. Gordon), Manchester.
Mouncey, K. (N. Townend), Goole.

Nelson, F. T. (D. A. Jacobs), London.
*Ng, W. K. (F. S. Young), London.
Nicholls-Pratt, R. E. (A. F. Chick), London.
Nichols, B. E. (A. R. Hall), Liverpool.
Nicholson, P. C. (G. E. Greenfield), Hull.
Nickell, P. H. (C. E. Bond), London.
Norman, P. J. (R. E. Davis), Leicester.

O'Brien, D. G. (G. P. L. Hudson), Stroud.
Ohrenstein, A. P. (H. O. Raphael), London.
Overend, J. (S.) Manchester.
Owen, C. A. (I. H. Howard), Bristol.

Painter, R. A. (B. C. Scurr), Alton.
Pakshong, M. (H. G. C. Haering), London.
Panton, A. R. (S. Johnson), Leicester.
Pardoe, J. R. (A. L. Blower), Wolverhampton.
Parkinson, K. (N. B. Kingston), Blackburn.
Partridge, W. F. (J. M. Hough), Newcastle upon Tyne.
Parvin, D. (A. G. J. Horton-Stephens), Brighton.
Pearce, A. H. (E. H. Eastoe), Liskeard.
Pearson, P. D. (formerly with E. D. Basden, deceased), London.
Pentin, D. J. (J. B. Neame), Canterbury.
Penwarden, D. R. (T. P. Coatsworth), London.
Peters, I. D. (T. Bromley), Bolton.
Phillips, J. W. (J. R. C. Weber), Cardiff.
Phillipson, L. S. (G. C. Hollowell), London.
Phipps, G. M. (W. R. Doherty), Birmingham.
Pierce, B. J. (L. M. Wildbore), Birmingham.
Pilcher, A. J. (D. M. Finlayson), Liverpool.
Platt, G. B. (J. L. Wilson), Leeds.
Platt, R. (P. C. Lloyd), Liverpool.
Porter, C. E. (B. E. Brown), Cardiff.
Portman, F. (F. L. Davies), Warrington.
Power, J. F. (R. G. Carter), London.
Prescott, A. J. (C. H. Maymon), Preston.
Price, M. W. (W. L. Solon), Worcester.
Price, T. A. (A. R. Avens), Portsmouth.
Pullan, J. M. (P. S. Tanswell), Twickenham.

Quest, A. M. (T. G. Vice), Leeds.
Quinnell, T. D. D. (R. D. Brewis), London.

Randles, D. H. (N. W. Hicks), Wrexham.
Ray, G. H. (S. E. Bramwell), Birmingham.
Read, R. J. L. (B. Wright), London.
Redmond, G. J. (P. D. Webb), Manchester.
Reece, L. (G. Woolfe), Manchester.
Rhodes, A. J. M. (W. A. Heap), Bradford.
Rickards, A. P. (D. J. Hay), London.
Rigby, B. K. (N. Neatham), Warrington.
Roberts, B. J. (C. E. Hampton), Birmingham.
*Roberts, K. N. (N. Johnson), Chester.
Roberts, R. E. S. (R. Casey), London.
Roberts, S. H. (L. B. Wright), London.
Robinson, D. F. (A. P. Hughes), London.
Robson, A. G. (W. A. Croft), London.
Robson, J. L. (R. M. Matheson), London.
Rogan, P. (J. A. Jones), Harrow.
Roscoe, J. (L. D. Harrison), Oldham.
Rose, J. D. L. (R. Goodwin), Derby.
Rose, K. M. (C. W. Blagg), Stafford.
Rowe, A. S. (C. Bradshaw), Warrington.
Rubner, P. E. (C. H. Wheeler), London.
Rumins, J. S. (F. S. Bray), London.
Russell, M. W. (L. V. Russell), London.
Russell, P. J. (S. G. Sillem), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Rutter, P. E. (C. Rutter), Manchester.
Ryan, T. D. (M. H. Hewes), London.
Ryley, C. B. (H. A. Ryley), Smethwick.

Sales, J. A. (W. R. C. Ogden), London.
Sanders, S. F. (E. M. Smith), Baldock.
Saunders, J. D. (J. C. MacGregor), Liverpool.
Sawers, R. K. (M. J. Jackman), London.
Sayer, C. E. V. (D. R. P. Foot), London.
Scarr, W. L. (F. J. Fullerton), Leeds.
Scott, R. S. (D. C. S. Downs), Hull.
Scott, W. M. (A. L. Barnett), Bristol.
Scourfield, B. J. (B. Rowe), Pontypridd.
Scrafton, D. (F. A. Bell), London.
Scribbins, P. W. (C. J. Finch), St Albans.
Sears, R. S. (J. Foster), London.
Sellwood, D. J. (E. Portlock), London.
Seymour, G. B. (A. D. Johnson), London.
Shankardass, Y. K. (I. G. de Mesquita), London.
Sharp, E. J. K. (C. D. Bolsover), Sheffield.
Shaw, A. V. (T. H. Burdon), Bradford.
Shaw, F. L. (T. Ashton), Nottingham.
Shaw, V. F. (E. Manby), London.
Shears, F. C. P. (T. L. Mooyaart), London.
Sheasby, J. M. (G. L. Wiener), London.
Shelley, A. C. (H. W. May), Chelmsford.
Shenoy, J. K. (E. W. G. Joicey-Cecil), London.
Sibley, J. H. (H. P. Lawrence), Bristol.
Simmons, M. (E. J. Garner), Nuneaton.
Sly, J. R. (D. J. Pyne-Gilbert), London.
Smart, P. M. (H. L. Bangham), Swansea.
Smith, A. R. (H. Crowther), Huddersfield.
Smith, B. E. (F. L. Cooke), London.
Smith, D. A. (F. S. Moore), Manchester.
Smith, W. J. A. (J. S. Harrison), Leeds.
Smyth, G. E. R. (N. V. Collins), London.
Spittle, H. (H. D. Anderson), Middlesbrough.
Spottiswood, J. A. (W. I. Livesey), St Helens.
Squires, P. J. (R. J. H. Eagle), London.
Srivichit, T. (P. J. Digby), London.
Stacey, M. J. (E. E. Boyles), London.
Stacey, T. J. (R. W. Warren), London.
Stiles, J. S. (H. N. Greene), Enfield.
Stone, J. G. (W. H. Lawson), London.
Stone, P. D. (M. P. Simmons), Bournemouth.
Stopford Sackville, L. G. (T. D. Walker), London.
Stribling, D. M. (R. G. Bailey), Plymouth.
Sunley, J. E. (J. D. Shepard), London.
Swaddle, A. P. (W. Patterson), Newcastle upon Tyne.
Swales, D. J. (F. J. H. Jones), London.

Tanner, E. I. (W. T. Meigh), London.
Tanner, J. F. (J. R. Hamilton), London.
Tapparo, D. G. (P. P. Barber), Birmingham.
Taylor, P. D. (E. D. Taylor), Leeds.
Teale, C. N. (*S*), Southport.
Thomas, B. (R. K. Dotchin), Newcastle upon Tyne.
Thomas, M. L. (J. R. Morgan), London.
Thomas, T. J. C. (formerly with A. E. Thomas), Swansea.
Thomas, W. S. (G. G. Owens), Liverpool.
Thompson, G. (T. R. Hoddell), Nuneaton.
Thompson, J. L. (R. W. Lambert), Cheltenham.
Thorley, R. (H. Tunstall), Manchester.
Thorn, R. S. (D. D. Mathieson), London.
Thorp, B. R. (L. Geary), Manchester.
Thorpe, D. R. (H. J. Clarke), Nottingham.
Threlfall, J. P. (N. Tomblin), Ilkley.
Thurgood, D. C. (H. L. Thurgood), Watford.
Tiffen, R. J. (C. N. Starbuck), Birmingham.
Tildesley, J. M. (L. R. Lewis), Luton.
Togwell, W. (N. D. Grundy), London.
Tollinton, H. D. (B. Place), East Grinstead.
Tompsett, M. J. (L. H. Mitchell), London.
Trepte, P. N. (C. J. Jeffries), London.
Trevor, M. (H. C. Rudolf), London.
Tun, M. T. (C. G. Hayes), London.
Turner, J. (C. J. Maples), London.
Tyabji, F. S. B. (W. I. B. Trott), London.

Usher, R. J. (D. G. Bridel), London.
Utting, F. C. (H. M. Symonds), Haverfordwest.

Vallis, R. F. (E. J. R. May), London.
Vigor, N. J. (C. H. Croft), London.
Vivian, G. T. (R. S. Longcroft), London.

Waddington, R. (A. Watson), Burnley.
Walford, R. A. (H. J. Ramble), Nottingham.
Waller, J. D. (R. H. Stevens), London.
Ward, E. (W. L. McAndrew), Newcastle upon Tyne.
Waring, R. D. (E. A. W. Gisby), London.
Watch, C. (E. Royce), Manchester.
Watering, D. F. (H. T. C. Reid), London.
Waters, G. N. (O. M. Lewin), London.
West, D. F. (J. Maxwell), Manchester.
Westwood, A. O. (P. A. Whitehead), Birmingham.
Wheeler, A. E. C. (J. C. J. Clark), Hove.
White, D. Y. (J. A. Potter), London.
White, G. W. A. (formerly with C. J. H. Jones, deceased), Portsmouth.
Whitehouse, P. W. (G. St. C. Wycherley), Wolverhampton.
Whitmore, A. B. (H. J. Ballam), Ipswich.
Wick, I. S. (R. W. Young), London.
Wike, B. (H. C. Dyson), Liverpool.
Williams, B. J. (D. J. Brannan), London.
Williams, D. H. (G. L. Atherton), Bridport.
Williams, T. R. J. (L. W. Bird), London.
Williamson, A. G. (E. D. Cox), London.
Winder, J. A. (J. S. Hanson), Dewsbury.
Windows, G. T. (formerly with R. J. Pigot, deceased), Oxford.
Windsor, J. M. (T. Thornton), Burnley.
Winterton, W. (J. J. Longland), Portsmouth.
Wiseman, G. A. (L. Scott), Hastings.
Wong, J. P. L. (J. Diamond), London.
Wood, A. C. (formerly with J. R. Kinnis, deceased), Grimsby.
Woodward, K. W. (B. Walker), Gt. Yarmouth.
Woolf, P. M. (S. J. Bressloff), London.
Woolfenden, V. P. J. (formerly with T. E. Milligan, deceased), Manchester.
Worth, W. J. (W. G. Brookes), London.
Wright, J. C. (J. L. Green), Dartford.
Wright, P. E. (Sir H. M. Barton), London.
Wynniatt-Husey, R. J. (C. W. Bellamy), London.

Yendle, A. (D. L. Pritchard), Carmarthen.
Yorke, J. D. (D. Peel), Elland.
Young, A. (G. R. Turner), Bradford.
Young, R. N. (C. H. Nathan), London.

512 Candidates passed. ***640 Candidates failed.***

INTERMEDIATE EXAMINATION

Held on May 19th, 20th 21st, and 22nd 1959.

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Taxation and Cost Accounting.
Anthony Warren Davies (C. I. Steen), London.

Second Certificate of Merit, the Tom Walton Prize and the Plender Prize for the paper on General Commercial Knowledge
Robert Aron May (M. E. G. Prince), London.

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize.
Peter Nicholson Smith (G. E. Morrish), London.

* See also Certificates of Merit above.
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Fourth Certificate of Merit.
John Albert Lane (T. E. Entwistle), Liverpool.
Colin James Middleton (H. Price), Eastbourne.
Brian Tetley (J. W. G. Mitchell), Bradford.

Seventh Certificate of Merit
Keith Edward Loney (E. R. Siddle), Taunton.
Harry Pullan (H. Anderson), Leeds.

Ninth Certificate of Merit
John Patrick Dornton (H. M. Hawthorne), London.

Tenth Certificate of Merit.
John Hugh Llewellyn-Jones (H. J. Wells). London.

Eleventh Certificate of Merit.
Roger Arthur Ambrose Hepworth (O. B. T. Bennett), Oxford.

Twelfth Certificate of Merit.
Maurice Roy Lawrance (A. Pennington), London.

Thirteenth Certificate of Merit.
Andrew John Duncan Ferguson (J. D. Ferguson), London.
Denis Macrae Kevan (N. G. Willis), Liverpool.

Fifteenth Certificate of Merit.
Alan Charles Langridge (A. E. Burton), London.

Sixteenth Certificate of Merit.
David Lambert Tucker (C. W. Wildy), London.
Trevor Ronald Verey (J. P. N. Brogden), Portsmouth.

Eighteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies).
Malcolm Olaf Penney (H. W. C. Airey), London.

Nineteenth Certificate of Merit.
Michael Edward Lake (R. W. Wheeler), London.

Full List of Names of Successful Candidates

(in alphabetical order)

Abdulla, M. H. (R. R. Nash), London.
Ackery, G. B. (C. H. Mead), London.
A'Court, S. (G. E. Goodchild), Ipswich.
Adams, N. D. (E. H. King), Birmingham.
Addison, D. B. (F. Addison), Derby.
Adewakun, M. (J. Morris), Manchester.
Adkins, R. E. (F. B. Murray), Birmingham.
Afia, P. M. (M. L. Harris), London.
Agballah, H. O. P. (L. F. Terry), Brighton.
Ahmed, J. U. (R. M. Peat), London.
Ainley, D. H. (R. S. Glendinning), Bradford.
Aitken, K. G. (J. L. Merchant), Ealing.
Alexander, A. G. L. (P. Ewen), London.
Alexander, P. J. (R. Richards), London.
Al-Hafidh, A. H. (W. Stanton), London.
Allatt, J. D. (G. P. Marsden), Halifax.
Allen, M. C. (D. H. C. Tonks), Birmingham.
Ambler, K. (D. T. Veale), Leeds.
Anderson, H. (J. D. Alton), Harrogate.
Anjous, B. (C. H. Bradfield), Neath.
Arbib, M. (L. C. Coe), London.
Archer, D. K. (G. G. Bissell), Birmingham.
Armitage, B. C. (G. M. Holroyde), Bradford.
Armstrong, D. P. (R. D. Thomlinson), Carlisle.
Arrand, A. (J. E. B. Barron), Winchester.
Ash, A. J. (E. R. Nicholson), London.
Ashby, N. C. (A. J. Seal), Hounslow.
Ashiq, M. I. (F. E. Barger), London.
Aslam, M. (J. A. Bearman), London.
Atkins, R. F. (R. Ballantine), London.
Atkinson, M. R. (F. L. Moulding), Sheffield.
Atkinson, R. B. (E. S. Prince), London.
Atter, J. P. (J. Daykin), Nottingham.
Attwell, J. W. (C. E. G. White), Southend-on-Sea.
Avenell, B. J. (H. B. T. Wilde), Birmingham.

Bacon, J. F. (C. McCabe), Maidstone.
Bagwell, D. J. (*S*), London.
Bailey, D. N. (W. B. Whipp), Manchester.
Baird, W. H. (W. S. Rainbow), Newcastle upon Tyne.
Baker, G. S. (K. H. Gibbons), Bristol.
Baker, K. G. (J. C. S. Ferguson), London.
Baldwin, A. W. W. (R. H. Ashcroft), London.
Bale, J. L. (P. G. S. Kiely), Reading.
Balsdon, M. J. (J. B. Chilcott), South Molton.
Barber, I. M. (F. McD. Hall), London.
Barnard, R. B. (Miss) (W. A. Barnard), Fareham.
Barnett, B. E. C. (J. A. Jackson), London.
Barnfather, R. D. (W. W. Routledge), Carlisle.
Barraclough, K. (C. Luxton), Bradford.
Barrett, A. J. (H. W. Evemy), London.
Barrett, M. W. (L. G. Spencer), Newcastle upon Tyne.
Barrow, D. (A. H. Hamer), Hebden Bridge.
Baston, P. (Miss) (J. F. Pashley), Newcastle upon Tyne.
Bates, D. G. (F. J. Smith), London.
Bawden, S. C. (J. K. King), London.
Belfield, R. J. (A. Marks), London.
Bell, N. A. (S. Freeman), London.
Bellamy, M. H. T. (S. R. Lang), London.
Bennett, C. R. E. (C. H. King), London.
Biggin, C. A. J. (J. S. Hoole), Sheffield.
Biggs, A. G. (W. W. Routledge), Carlisle.
Bignell, R. E. (P. R. Hackett, Jun.), Birmingham.
Binmore, J. S. (J. H. Hewitt), Nottingham.
Bishop, C. D. (D. H. H. Meacock), London.
Bittlestone, A. J. (J. O. Knight), Nottingham.
Blackstaff, M. (W. E. Chapman), London.
Blake, R. (P. F. Rendell), Bristol.
Bligh, P. R. (E. E. Ray), London.
Blow, M. R. (C. R. Goulder), London.
Bodicoat, A. C. (L. Freeman), Leicester.
Bodoano, R. A. (R. W. Minns), Birmingham.
Bottomley, D. H. (P. W. P. Knowles), London.
Bouch, W. D. (J. F. Aitchison), London.
Boud, T. E. (A. J. Seal), Hounslow.
Bourne, H. G. S. (J. P. Coatsworth), London.
Bowden, P. R. (N. Bailey), Manchester.
Bowen, R. E. W. (F. R. Tillett), London.
Bowen, W. J. (D. P. Newell), Kidderminster.
Bower, C. D. (K. Davison), Bradford.
Bown, J. A. (H. C. Day), Chesterfield.
Boyd, L. R. (W. D. Corkish), Liverpool.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Brackin, A. J. (A. P. W. Simon), London.
Braide, W. G. (R. W. Metcalf), London.
Bramwell, C. (*S*), Manchester.
Brandwood, J. N. (J. B. Martin), Liverpool.
Brayshaw, E. M. (R. Walton), Leeds.
Brayshaw, R. E. (D. S. Lewis), London.
Bridge, A. P. (A. Johnson), Liverpool.
Briggs, D. (K. G. Shuttleworth), Sheffield.
Briggs, J. D. (F. N. Middleton), Bradford.
Brining, M. D. (J. Perfect), London.
Britton, A. G. (R. B. Dixon), Birmingham.
Broderick, J. M. (N. Townend), Goole.
Brooker, A. B. H. (C. T. Boakes), London.
Broomhead, J. H. (E. Sugden), Leeds.
Broughton, R. D. (H. S. Fox), Skegness.
Brown, F. H. M. (C. R. Osborn), London.
Brown, J. G. (W. B. Holden), London.
Brown, J. M. (H. M. Crawford), Colchester.
Brown, R. H. (C. G. W. Blathwayt), Bristol.
Brown, S. F. (L. R. Treen), London.
Bryan, A. H. P. (L. J. Newey), Romford.
Bryan, J. R. (A. M. Edwards), Luton.
Bryant, G. R. (F. S. Bray), London.
Buckler, D. A. (T. R. Hoddell), Nuneaton.
Buckley, B. H. (J. W. Clement), London.
Bull, C. (L. S. Daniel), Taunton.
Burns, J. D. (J. P. Kemp), Scunthorpe.
Burr, M. R. (D. S. Stevens), London.
Burton, G. (C. Pearson), Liverpool.
Burton, P. W. (K. N. Hawkins), London.
Bussey, J. H. (B. S. Pullan), Leeds.
Bussin, S. E. (Miss) (A. K. Williams), London.
Buswell, J. M. (Miss) (J. S. Furler), Newton Abbot.
Butler, P. (A. J. Goulden), Manchester.
Butt, M. I. (K. R. Smith), Newcastle upon Tyne.
Butterworth, A. (R. A. Pitt), Manchester.
Button, M. H. N. (K. A. Buxton), Nottingham.
Buxton, M. F. (A. R. Háck), London.
Bye, D. S. (R. E. Rodham), Middlesbrough.
Byng, G. G. (K. R. Morris), Bromsgrove.
Byrd, C. (Miss) (L. A. Picot), St Helier.

Caidan, R. P. (S. Fisher), London.
Cain, D. B. (S. Goldwater), London.
Campbell, A. M. (J. A. Mitchell), Carlisle.
Capon, D. J. (G. T. Hills), London.
Carlin, C. (*S*), Manchester.
Cartwright, J. M. (J. H. Maunder), Dorchester.
Caseley, R. (G. A. Raines), London.
Cash, P. T. W. (E. S. Russell), Birmingham.
Cattell, M. A. P. (J. H. Watson), Bournemouth.
Catty, J. (D. H. Collier), London.
Chadwick, H. (R. G. Swann), Manchester.
Chadwick, T. H. (J. G. Sankey), Manchester.
Chan, M. L. (Miss) (B. O. S. Savage), London.
Chandley, C. W. D. (A. Ollerenshaw), Stockport.
Chaudhry, D. K. (B. J. Ducker), London.
Chaudhury, M. A. (R. J. Climpson), Teddington.
Chaytor, J. (A. F. Clarke), Liverpool.
Chedzey, A. C. (L. G. Mason), Bridgwater.
Chetwynd, R. W. (K. F. Steven), London.
Chiesman, D. W. R. (W. R. Burrough), London.
Child, J. H. (C. J. Robinson), London.
Chrisfield, L. J. (K. M. Scott), London.
Church, C. J. (L. O. Ross), London.
Churcher, A. J. (P. H. Palmer), Nottingham.
Churchill, C. R. W. (C. A. Leat), London.
Clark, A. D. (C. W. Puckett), Torquay.
Clarke, A. (L. G. Winfield), Sheffield.
Clarke, C. H. N. (S. E. Worley), Eastbourne.
Clarke, D. R. (J. W. Margetts), London.
Clitherow, C. (C. C. Taylor), Liverpool.
Cochrane, M. F. (J. M. S. Coates), Newcastle upon Tyne.
Cohen, A. J. (S. Cohen), London.
Cohen, A. P. (M. C. George), London.
Coleman, N. J. (D. R. B. Smith), London.
Colledge, P. J. (K. W. Walker), Leicester.
Connolly, M. W. H. (P. D. Eady), Stourport on Severn.
Conway, P. (D. Mahony), London.
Coon, P. (J. W. Shaffery), St Austell.
Cooper, D. C. G. (P. E. Thain), King's Lynn.
Cooper, P. A. (J. D. French), Liverpool.
Copley, K. M. (G. E. Bainbridge), Bradford.
Corbett, J. E. (L. V. Hazelwood), Birmingham.
Cordes, L. G. (F. R. Dixon), Leicester.
Corkill, B. (V. Dalley), Manchester.
Courtliff, J. E. M. (E. Catherall), Chester.
Cowen, E. (A. J. Fullerton), Harrogate.
Cowper, I. R. (H. Peat), London.
Crawhall, J. M. (J. M. S. Coates), Newcastle upon Tyne.
Crawshaw, R. H. (G. N. Hunter), Leeds.
Creasey, J. S. (R. W. L. Clench), London.
Crosby, M. J. (D. D. Kidson), Manchester.
Crosse, P. L. H. (J. H. Sisson), London.
Crossfield, J. (Miss) (J. A. K. Collins), Newport, I. W.
Crowther, T. A. (T. G. Burton), Hull.
Cullingham, J. D. H. (D. R. Hindle), London.
Cumming, C. A. (Miss) (C. H. Ansell), London.
Cunliffe, G. V. (D. A. Huggons), London.
Curry, J. A. H. (S. J. E. Truman), London.

Dainty, J. R. (P. Cozens), Walsall.
Dalby, J. C. (J. H. Mann), London.
Dallow, A. T. (H. G. Pinner), Wolverhampton.
Darbyshire, B. (E. Tootle), Wigan.
Darbyshire, M. J. (N. E. West), Littlehampton.
*Davies, A. W. (C. I. Steen), London.
Davies, J. B. (C. Ll. Powell), Ammanford.
Davis, B. A. (J. Radstone), London.
Davis, J. M. G. (H. G. Mack), London.
Dawson, G. W. V. (*S*), London.
Deacon, A. K. V. (W. E. Willis), Leicester.
Deards, C. D. (W. S. Samuda), Worcester Park.
De Silva, P. D. U. (E. R. Funnell), London.
Devadason, T. S. V. (G. D. Hopkinson), Birmingham.
Dhar, P. K. (H. C. Allen), London.
Dicker, S. S. (H. L. Moses), London.
Doddridge, E. (W. G. Wilson), Liverpool.
*Dornton, J. P. (H. M. Hawthorne), London.
Doss-DeSousa, W. J. (S. A. Fabes), London.
Douglas, B. K. (F. V. Denton), Liverpool.
Downs, A. P. (G. B. Langford), Petersfield.
Dowse, P. B. (W. G. Dickinson), Doncaster.
Drewell, A. (D. T. Veale), Leeds.
Drybrough, C. D. (L. Pells), London.
Duckett, J. E. (W. R. Heatley), Coventry.
Dugard, C. R. (C. W. Bingham), Nottingham.
Dunham, G. J. (F. Pittock), London.

East, P. B. (R. J. W. Phillips), Colchester.
Eastmond, D. G. (F. W. Charles), London.
Eaton, A. F. (H. J. Binder), London.
Ebbs, B. (N. D. Ednie), Bedford.
Eccleston, D. J. (G. Walmsley), Wrexham.
Edet, B. O. (F. A. Eastwood), Brighton.
Edwards, A. (H. W. Vaughan), Swansea.
Edwards, A. C. (J. Taylor), Manchester.
Edwards, E. W. G. (P. H. Martin), London.
Edwards, H. G. O. (E. J. Newman), Birmingham.
Edwards, J. C. (J. K. Macrae), London.
Eldridge, C. M. J. (L. Civval), London.
Elias, E. A. (R. Gronow), Wolverhampton.
Elles-Hill, W. J. (S. R. Hogg), London.
Ellis, G. (*S*), Knaresborough.
Ellison, R. B. (W. Lodge), Liverpool.
Elphick, C. P. (J. S. Ellison), Liverpool.
Emmott, M. (Miss) (R. E. Spenser), London.
Entwisle, A. H. (W. L. McAndrew), Newcastle upon Tyne.
Epps, J. E. (C. G. Larking), Maidstone.
Epstein, D. L. (B. Morris), London.
Epstein, J. M. (*S*), London.
Etheridge, N. (W. O. Crossley), Manchester.
Etherington, J. T. (J. E. Sagar), Blackburn.
Evans, A. M. (A. M. E. Morgan), Aberdare.
Evans, D. H. B. (T. A. Clark), Wrexham.
Evans, J. P. (T. A. Clark), Wrexham.
Evans, R. (R. A. Roberts), London.
Everatt, T. G. (D. Bolton), Manchester.
Everett, D. (D. G. Durgan), Southsea.
Eweka, A. O. (R. W. Slowman), London.

Factor, D. (P. A. G. Mullens), Port Talbot.
Fairbairn, J. S. (O. M. Lewin), London.
Faulkner, N. S. C. (P. E. Hall), Nottingham.
Fell, R. A. (L. J. Moore), Newmarket.
*Ferguson, A. J. D. (J. D. Ferguson), London.
Ferguson, B. (Miss) (M. Cutner), London.
Fermor, F. H. (R. S. A. Donnithorne), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Ferrand, N. I. (W. A. Snowdon), Hull.
Field, R. G. (*S*), Hull.
Fielden, M. (C. L. Fielden), Colchester.
Finnegan, V. M. (H. M. Madelay), Birmingham.
Fisher, B. J. (R. J. Armstrong), Hitchin.
Fleming, A. M. H. (D. B. Buick), London.
Fone, V. (Miss) (M. E. Lermit), London.
Ford, J. M. (D. A. White), Bristol.
Foss, C. J. (E. B. Bate), Bristol.
Franks, L. G. N. (A. W. Brooking), Basingstoke.
Freebody, R. A. (R. G. Pegler), London.
Freeman, N. D. J. (P. H. Champness), London.
Friswell, D. J. (H. D. Radford), Birmingham.
Frizzle, W. (*S*), Newcastle upon Tyne.
Furby, D. J. (F. E. C. Apps), London.

Gait, C. D. (G. H. Fletcher), London.
Gale, R. W. (D. R. Hindle), London.
Galliano, J. P. (R. A. W. Caine), London.
Ganguli, A. (C. H. Aveyard), London.
Garbutt, N. T. (H. A. Sisson), Newcastle upon Tyne.
Gardin, T. H. (G. C. Wilkinson), Redcar.
Garrett, K. A. L. (J. A. Beaver), Southport.
Gates, H. A. (A. W. Rawlinson), London.
Gates, M. D. C. (E. F. W. Batts), London.
Gates, R. D. (J. G. G. Hesse), Birmingham.
Gearing, E. W. (W. L. Thurgood), London.
Geary, E. P. (J. W. Davies), London.
Gee, C. J. (J. Lamb), Newcastle upon Tyne.
Gee, M. J. (N. G. Sage), London.
Gellman, R. D. (G. H. W. Delderfield), London.
George, V. J. (L. J. Bentley), London.
Gibbs, R. C. (E. J. Danbury), London.
Gilmore, R. M. (J. Barrett), Leeds.
Gilroy, B. H. (J. E. Barris), London.
Glover, D. B. (L. M. Keen), Southend-on-Sea.
Gobat, A. T. (T. G. Gobat), Hereford.
Godfrey, B. S. (V. W. Heslop), Darlington.
Gold, H. P. (H. L. Layton), London.
Golding, J. L. (E. T. Wood), London.
Goldsmith, R. F. (G. C. McEwen), London.
Goodlad, A. R. (N. A. Wheatcroft), Sheffield.
Goodwin, P. R. (G. F. R. Bagulay), London.
Goss, K. K. (*S*), London.
Gough, J. R. H. (A. R. Mason), Birmingham.
Gough, M. J. (D. E. Caird), London.
Graham, A. M. (L. Baker), London.
Grainger, A. (P. Fine), London.
Grant, N. K. (F. S. Bray), London.
Green, T. J. (R. F. Sumner), London.
Greenwood, A. G. (J. B. Ross), Halifax.
Greenwood, F. (R. Cullen), Leicester.
Gregory, D. E. (I. H. Hayward), Nottingham.
Gregory, P. (J. L. Smith), Market Harborough.
Griffin, D. (N. J. B. Smith), Manchester.
Griffiths, L. G. (M. D. Pick), Retford.
Grimwade, D. R. (J. R. Tovey), Reading.
Grinyer, J. R. (D. J. Redhead), Ilford.
Grossman, M. (H. H. Thomas), London.
Grove, J. M. (D. Spencer), West Bromwich.
Growcott, T. E. (O. T. Tollit), Chester.
Gunn, P. R. (H. E. Halliday), Newport, Mon.
Gwynne, D. F. (T. M. Pragnell), Nottingham.

Hackney, J. P. (E. D. London), Nottingham.
Hall, P. M. (P. H. Strode), London.
Hall, S. (R. D. Thomlinson), Carlisle.
Hall, S. R. (G. F. Davies), London.
Hamilton, J. E. (D. J. T. Corbett), Nottingham.
Hankin, D. J. (J. B. Selier), London.
Harbottle, P. R. M. (R. P. Winter), Newcastle upon Tyne.
Hardman, M. R. (C. H. C. Mabey), London.
Hardy, M. K. (D. H. Thomas), London.
Harfoot, D. T. (R. R. Davies), Cardiff.
Harley, R. N. (F. G. Rollason), London.
Harnett, R. D. (C. W. Elliott), Hounslow.
Harries, J. M. (D. F. Pratten), Swansea.
Harris, D. E. (R. O. N. Ward), Birmingham.
Harris, G. R. (E. C. Smith), Manchester.
Harrison, D. C. (E. G. Turner), Manchester.
Harrison, G. (C. L. Davies), Leeds.
Harrison, N. (N. W. Thirtle), Lincoln.
Hart, E. E. (Sir W. S. Carrington), London.
Harty, C. J. (A. I. Wyborn), London.
Havrlik, S. (H. Wadie), London.
Haynes, R. J. (W. G. Milton), Pinner.
Heath, C. T. (R. M. Williams), Cardiff.
Heath, D. H. (J. E. Fischer), Liverpool.
Heptonstall, G. A. (B. Asquith), Leeds.
*Hepworth, R. A. A. (O. B. T. Bennett), Oxford.
Herman, E. A. (G. Classick), Manchester.
Hewitt, A. W. (R. A. Welch), Birmingham.
Heyworth, R. L. (W. Hobson), Manchester.
Hickford, B. L. (C. S. G. Kealey), London.
Hignett, J. M. (A. D. Wardle), London.
Hill, C. (R. G. Slack), Hull.
Hill, D. W. (R. W. C. Dunn), Birmingham. (*Plender Prize for the paper on Auditing.*)
Hill, L. F. (D. W. Jennings), Bristol.
Hill, P. B. (R. M. Dowler), Manchester.
Hindle, P. A. (J. C. Boyce), Bradford.
Hitchins, W. D. W. (E. H. McGregor), Reading.
Hobbs, R. E. (B. A. Smith), London.
Hodder, M. J. (E. R. Nicholson), London.
Hodgson, D. (J. W. Berriman), Middlesbrough.
Hohler, R. T. A. (H. S. Rose), London.
Holden, M. J. (J. C. Widger), Wembley.
Holden, S. I. (R. W. Rodwell), Leicester.
Holdsworth, B. G. (W. F. Masters), London.
Holford, J. (K. H. Newsum-Smith), Nottingham.
Holt, P. (W. R. Glossop), Bradford.
Hooper, A. M. (J. Hackett), Ealing.
Horniblow, L. F. E. (P. J. L. Case), Watford.
Horton, C. C. (A. G. Arnfield), Manchester.
Horton-Jones, G. K. (G. A. Morgan), Swansea.
Hoskins, R. S. (W. H. Lawson), London.
Hossain, S. M. A. (R. H. E. Wilkinson), Manchester.
Hourahane, J. E. (P. S. Potter), Newport, Mon.
Howard, D. N. (E. Satterthwaite), Bootle.
Howard, J. (D. R. Fendick), Manchester.
Howarth, J. S. (R. Waterhouse), Leeds.
Howe, D. P. L. (N. G. Bascombe), Bristol.
Howe, W. B. (F. C. Roy), Worcester.
Howell, D. C. P. (R. B. Morrish), London.
Howell, J. W. (H. E. D. Buxton), London.
Howell, O. M. R. (R. Ballantine), London.
Howlett, J. C. (G. B. Pearson), London.
Hudson, T. (C. Severn), Skegness.
Hughes, M. B. (J. W. Alington), Chelmsford.

Inniss, L. (D. H. Kirk), London.
Irons, G. M. (R. C. Gilbert), London.

Jack, A. W. D. (H. W. Bankes), Liverpool.
Jackson, E. P. (T. H. Sutton), Southport.
Jackson, M. P. (Miss) (M. W. A. Jacobs), Ryde.
James, A. (F. W. Bailey), Leeds.
James, H. M. C. (C. D. Smith), London.
James, M. J. (F. J. Trevers), London.
James, N. C. (S. S. Morton), London.
James, P. B. (P. J. Digby), London.
Jayamaha, D. C. N. (N. T. Bell), London.
Jeavons, C. C. (R. Massey), Wolverhampton.
Jeffrey, C. M. (J. W. Harker), Durham.
Jenner, C. W. (R. J. Ford), Maidstone.
Jepps, K. (R. Marks), London.
John, I. D. (*S*), Colombo.
Johnson, H. S. (F. C. Horne), Luton.
Jones, T. E. (L. G. Hall), Stockport.
Jones, W. J. R. (*S*), Dudley.

Kay, A. W. (W. T. R. Masterson), London. (*Plender Prize for the paper on Book-keeping and Accounts (Executorship).*)
Keeley, G. (A. J. Glass), Liverpool.
Kelly, J. T. (F. Hall), Leeds.
Kemp, S. G. (R. J. Butterworth), London.
Kennedy, M. (C. R. Riddington), Leicester.
Kerry, D. J. (J. B. Humphreys), Manchester.
*Kevan, D. M. (N. G. Willis), Liverpool.
Khan, F. H. (J. A. Bearman), London.
Khan, I. H. (J. Henderson), Liverpool.
Kidby, C. E. (G. G. Wight), London.
Kidd, M. H. (W. B. Cullen), London.
Kinning, J. (E. S. Hall), Solihull.
Kirkham, W. W. (R. S. Sanderson), Sheffield.
Knight, P. J. (W. Caerwyn Jones), Shrewsbury.
Knock, J. B. (E. G. Costello), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Kong, B. C. C. (Miss) (T. A. Morton), London.
Kong, S. H. R. (A. A. B. Yeatman), London.
Kwan Teet Yeen, K. (J. G. M. Coates), Richmond, Surrey.
Kyimyint, L. (M. G. Miles), London.

Lahiri, C. S. (*S*), Calcutta.
*Lake, M. E. (R. W. Wheeler), London.
Lambley, J. R. N. (H. W. Bonnello), Nottingham.
*Lane, J. A. (T. E. Entwistle), Liverpool.
Langley, G. I. (S. J. Gunby), Leicester.
*Langridge, A. C. (A. E. Burton), London.
Lascelles, J. F. (K. G. M. Harding), Liverpool.
*Lawrance, M. R. (A. Pennington), London.
Lawton, C. D. (H. C. Cox), Manchester.
Layton, P. R. D. (S. Young), London.
Layzell, M. E. (H. W. Fisher), London.
Leach, G. (C. P. Spencer), Halifax.
Lederman, C. S. (C. Murray), London.
Lee, H. P. (H. Marriner), Leeds.
Leigh-Pollitt, G. A. P. (H. M. Clutton-Brock), Newbury.
Lennard, E. C. (A. H. Marshall), London.
Lennard, G. (E. C. Mallett), Hull.
Leppington, C. M. (J. B. Dunford), Newcastle upon Tyne.
Lett, K. R. (A. R. Mason), Birmingham.
Lewis, A. D. (W. R. Gresty), Cardiff.
Lewis, D. J. (G. L. Eccleshall), London.
Lewis, J. C. (H. R. Elliott), Worthing.
Lewis, J. T. (G. L. Wiener), London.
Lewis, M. L. (M. R. Nathan), London.
Lewis, R. (W. A. Richardson), Nottingham.
Lillis, M. R. (R. O. N. Ward), Birmingham.
Lindley, P. D. (N. N. Sassienie), London.
Lindsay, H. J. A. (J. F. T. Nangle), London.
Lindsey, C. J. N. (J. S. Lake), London.
Lippa, C. M. (H. P. Jones), Liverpool.
Lipscomb, E. P. (G. L. C. Touche), London.
Lisle, R. G. (C. L. Davies), Leeds.
Lissaman, J. (J. N. Prentice), London.
Liversidge, J. E. (D. B. Ward), Middlesbrough.
*Llewellyn-Jones, J. H. (H. J. Wells), London.
Lloyd, A. J. (W. K. Wells), London.
Lock, S. J. (H. G. Martin), London.
Lockwood, D. W. (N. D. Taylor), Sheffield.
Lonergan, D. P. (N. Alton), Leicester.
*Loney, K. E. (E. R. Siddle), Taunton.
Longe, R. F. H. (J. C. Gardiner), London.
Loveless, B. C. (*S*), London.
Lukins, G. H. (L. O. Resting), Cardiff.

Mabon, T. (J. A. Mitchell), Carlisle.
McAdam, D. A. L. (F. C. Hoyle), Manchester.
McCann, R. H. (O. B. T. Bennett), Oxford.
McEvoy, P. H. (R. A. Eccleston), Manchester.
MacIver, L. K. (H. O. H. Coulson), London.
McLellan, M. (J. P. N. Brogden), Portsmouth.
Malik, F. K. (M. Striker), London.
Mallinder, E. J. L. (G. H. Dodsworth), London.
Mallinson, J. R. (T. A. Macfarlane), Liverpool.
Marianesan, P. (D. A. Kater), London.
Marsh, R. W. (F. King), London.
Marvi, A. (L. Gorden), London.
Maslin, J. R. W. (G. W. Harrison), Wolverhampton.
Masters, H. J. (J. S. L. Springbett), London.
Maw, G. H. (T. G. Burton), Hull.
Maxwell-Walton, J. D. (N. F. Trayler), Bognor Regis.
*May, R. A. (M. E. G. Prince), London.
Mayer, T. P. (A. Beatton), London.
Mayger, I. B. (W. J. N. Sherratt), Chester.
Meakin, B. (G. S. Limb), Mansfield.
Mercer, H. (B. L. Monahan), Swindon.
Meredith, J. W. (R. H. Stafford), London.
Meredith, R. W. (E. Pugh), Nuneaton.
*Middleton, C. J. (H. Price), Eastbourne.
Middleton, D. G. S. (A. C. Dixon), Sunderland.
Midwinter, H. E. (A. H. Kirkman), Oxford.
Mills, A. W. (T. A. Morton), London.
Milne, R. B. (S. Morris), Reading.
Milnes, D. S. (C. E. Copley), Rotherham.
Milston, J. (D. E. Hope), London.
Mitchell, C. A. F. (K. W. Deacon), Coventry.
Mohamad, S. H. S. (D. A. Boothman), Manchester.
Morgan, J. H. (I. C. Paterson), London.
Moriarty, E. T. (T. Finch), Blackburn.
Morrey, J. P. (H. C. Bladen), Stoke-on-Trent.
Morris, A. H. (L. J. Ive), London.
Morris, J. S. (R. S. Fryer), London.
Morris, M. D., The Hon. (M. Shirley-Beavan), London.
Mottram, D. F. (S. W. Staton), Sheffield.
Moussa, M. W. (F. R. Terras), Manchester.
Munday, J. (W. Sowman), Leicester.
Munson, A. R. (S. G. Law), Clacton-on-Sea.
Murphy, P. (J. Ross), Manchester.
Murray, D. R. (R. B. Dixon), Birmingham.
Mutkin, H. G. (C. Metliss), London.

Nash, H. (M. W. Burns), London.
Navaratnathasan, S. (P. E. Bryan), London.
Neal, C. W. (L. J. Hulme), Manchester.
Newton, A. T. (R. J. Glissan), Birmingham.
Neylon, D. (J. Eaves), Manchester.
Nezam, M. (A. L. Low), London.
Nobbs, J. L. (G. S. Elliott), Godalming.
Norman, R. (N. H. Barnes), London.
Norman, R. F. (H. W. Wilson), London.

Ogden, J. E. (S. T. Maxwell), Preston.
Oldrey, A. D. G. (R. A. Palmer), Northampton.
Olney, C. R. (S. C. Rainbow), Hitchin.
Olumide, W. O. (J. M. Davis), Canterbury.
Organ, W. F. (E. R. Nicholson), London.
Orrow, R. J. (E. R. Nicholson), London.
O'Sullivan, D. J. (F. W. Charles), London.
Oury, B. R. (L. F. Durman), London.
Ouston, M. C. G. (S. R. Pote), London.
Owen, J. N. (G. R. Porter), London.

Pain, C. E. (L. Whitaker), Canterbury.
Pal, R. (G. L. Couch), Uxbridge.
Palmer, I. A. (E. B. Langford), Portsmouth.
Palmer, M. E. (E. R. Nicholson), London.
Pardey, D. A. (L. A. Pardey), Wigan.
Parfitt, M. P. (C. Chipchase), Middlesbrough.
Parkinson, G. R. L. (G. N. Taylor), Newcastle upon Tyne.
Parlane, A. J. (A. J. Wilson), London.
Parr, W. D. (R. P. Jelks), Liverpool.
Parsons, C. R. (E. R. Nicholson), London.
Parsons, I. R. (G. Bowyer), London.
Patel, A. H. (J. C. Durnin), London.
Paton, D. B. (P. Bennett), Manchester.
Paul, W. H. (C. H. Mead), London.
Payne, M. D. (J. Morris), London.
Pearce, D. J. (A. L. Westbury), London.
Peat, R. H. (W. R. T. Whatmore), London.
*Penney, M. O. (H. W. C. Airey), London.
Peters, D. A. (G. Bowyer), London.
Peters, H. B. (D. A. Owen), Leamington Spa.
Peters, L. (M. H. Leighton), London.
Phillips, M. W. (N. A. Smith), Reading.
Pigott, F. J. S. (J. F. Ray), Oxford.
Pilling, K. (E. W. Manssuer), Warrington.
Pollock, C. B. (D. B. Evans), Hove.
Potter, A. M. (H. H. Fielding), Paignton.
Prescott, P. J. (Miss) (C. W. Callow), Preston.
Preston, A. (D. R. Fendick), Manchester.
Priestley, R. M. S. (D. J. Gow), Bournemouth.
Prime, R. P. (F. G. Pook), Tunbridge Wells.
Pritchard, K. H. (*S*), Manchester.
*Pullan, H. (H. Anderson), Leeds.
Pumphrey, J. R. (R. W. Swinbank), Stockton-on-Tees.
Purrett, M. J. (H. C. Gill), Manchester.
Purvis, S. L. (P. Shirley), Manchester.

Rainsford, F. C. (P. W. Farnsworth), Derby.
Rambaut, T. A. (R. W. Gorman), London.
Randeria, M. E. (L. Fialko), London.
Rankin, B. K. (J. D. French), Liverpool.
Rees, R. P. V. (C. W. Griffin), Cardiff.
Reid, J. G. (P. Shapland), Taunton.
Reid, W. (J. N. Prentice), London.
Renwick, J. S. (J. A. Taylor), Hyde.
Richardson, A. G. (W. E. Ratnett), Reading.
Richardson, C. M. (Miss) (G. E. M. Dodsworth), York.
Richardson, R. (B. A. Schanschieff), Northampton.
Rickless, V. (J. Twist), Manchester.
Ridge, A. M. (R. Mallabar), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Riley, J. C. W. (B. A. Maynard), London.
Ritchie, A. F. (J. W. Berriman), Middlesbrough.
Ritchie, J. G. (J. B. Martin), Liverpool.
Rix, J. E. (E. J. Furniss), London.
Roberts, W. H. (F. W. Doleman), Leicester.
Robson, D. J. (R. K. Dotchin), Newcastle upon Tyne.
Robson, N. J. B. (R. Winn), Newcastle upon Tyne.
Rochester, C. (J. E. Mulcaster), Newcastle upon Tyne.
Rogers, P. D. (B. Crossley), Manchester.
Rollason, W. H. (W. E. Quance), Birmingham.
Rugg, B. (A. Bell), Newcastle upon Tyne.
Rushton, R. A. (W. A. Dodd), Manchester.
Russell, R. C. (J. W. Saunders), London.
Ryan, K. J. (K. A. Buxton), Nottingham.
Ryan, M. F. (N. E. Bicker), Bournemouth.

Sanger, J. G. (K. L. Young), London.
Sardana, V. M. (R. J. Holbrook), London.
Saunter, P. (J. H. Saunter), London.
Savage, M. S. (A. McKenzie), Sunderland.
Schaerer, R. A. G. (E. H. Orford), London.
Scott, G. (E. R. Nicholson), London.
Seale, A. J. (S. W. Percival), London.
Seaman, C. R. H. (J. W. M. Groves), London.
Secker, A. (H. Goodier), London.
Sedley, D. R. (A. D. Dinnen), London.
Semark, R. E. (D. L. Forbes), London.
Sercombe, J. (R. Horton), Derby.
Seydoux, H. G. P. M. (L. A. Hall), London.
Shackell, P. F. (R. H. Taylor), Bury St Edmunds.
Shaikh, Z. A. (S. E. Newman), London.
Shaw, B. (W. N. Crebbin), London.
Shaw, K. A. (J. M. Grosse), Sheffield.
Shutte, M. D. N. (J. W. W. Mason), London.
Siddle, K. (A. H. Smalley), Coventry.
Silver, M. J. (G. Philips), London.
Silverthorne, M. J. (B. A. S. Soole), London.
Simpson, D. G. (R. J. Harris), Hull.
Simpson, D. W. J. (R. D. Randall), Birmingham.
Skan, T. (J. A. Baker), Bournemouth.
Skeet, D. C. (F. L. Woolley), Southampton.
Skelding, W. E. (N. J. Wigley), Birmingham.
Sloan, M. B. (J. C. Brown), Manchester.
Smith, D. P. (H. C. Cussons), Liverpool.
Smith, J. C. A. (D. A. Blake), London.
Smith, J. C. (J. B. Brierley), Oldham.
Smith, J. V. (L. A. Pardey), Wigan.
Smith, P. H. (C. J. C. Tildesley), Wolverhampton.
*Smith, P. N. (G. E. Morrish), London.
Smith, R. J. (J. H. Hill), Plymouth.
Smith, R. J. A. (J. A. Evans), Birmingham.
Smithers, B. J. (H. B. C. Sandford), Tunbridge Wells.
Smouha, B. A. (J. F. Taylor), London.
Snowball, J. E. (C. Fox), Sunderland.
Solkhon, J. (J. Williams), London.
Sommerville, A. J. C. (G. Place), East Grinstead.
Soppitt, J. E. (Miss) (M. Fox), London.
Spooner, I. G. (D. D. Williamson), London.
Sprawson, D. A. (J. B. Burnie), Nottingham.
Squires, G. A. U. (R. A. Rowley), Leicester.
Stainton, I. L. (J. C. Boyce), Bradford.
Stamp, J. S. (L. F. Jones), Wolverhampton.
Steggall, B. O. T. (K. R. Cork), London.
Stern, H. (S. Conway), London.
Stevens, G. F. (R. M. Matheson), London.
Stevens, G. J. (K. C. Pearce), London.
Stewart, M. G. (W. R. Young), Canterbury.
Stiles, N. C. (J. A. Oliver), London.
Stillwell, M. I. (E. M. Smith), London.
Stirling, J. L. (A. D. Saward), London.
Stocks, K. L. (A. T. Mabe), Derby.
Stokes, A. C. (M. A. Brown), Bath.
Stormonth, I. H. (J. H. Marshall), Thame.
Stott, D. (H. C. Watson), Barnard Castle.
Strange, M. C. (J. O. Faulkner), Swindon.
Stratford, R. C. (J. H. Curtis), Ealing.
Streatfield, M. V. (Miss) (A. R. Tyler), East Grinstead.
Styburski, G. F. (D. Lewis), London.
Sugarwhite, J. (A. Maslo), London.
Sullivan, J. F. (A. Scotten), London.
Summers, R. M. (M. Escow), London.
Sutcliffe, M. (E. C. Smith), Halifax.
Sutcliffe, M. P. (W. A. Rawlinson), Bradford.
Sutcliffe, R. C. (B. Sutcliffe), Halifax.
Sutton, K. (D. T. Veale), Leeds.
Swift, D. J. (G. P. Marsden), Halifax.
Sylvan, T. G. N. (L. E. Cattermole), London.
Symons, E. (J. D. Smith), Sheffield.

Tait, J. D. (J. C. M. Williams), Swansea.
Tallantire, J. H. D. (W. A. Holmes), Leeds.
Tatham, R. N. (J. Townsend), Liverpool.
Taylor, B. E. (Miss) (G. C. Sagar), Leeds.
Taylor, B. E. (J. C. S. Ferguson), London.
Taylor, C. J. G. (F. Crosland), Huddersfield.
Taylor, C. G. (E. J. Roff), London.
Taylor, I. L. (H. M. Hawthorne), London.
Taylor, P. K. (P. Taylor), Doncaster.
*Tetley, B. (J. W. G. Mitchell), Bradford.
Teare, J. A. (S. B. Smith), Liverpool.
Tew, C. C. (S. C. Hare), Uxbridge.
Thomas, H. (B. Morgan), London.
Thompson, B. J. (D. B. Dawes), Manchester.
Thomson, I. K. C. (A. Punchard), London.
Thornton, M. (J. S. A. Peffers), Newcastle upon Tyne.
Thornton, T. C. St. L. (B. Thomas), Sheffield.
Torond, J. L. (C. J. Maples), London.
Townend, P. (G. N. Fullagar), Liverpool.
Townsend, D. A. (R. Kettle), London.
Treen, R. J. (P. W. Beale), Brighton.
Trevelyan, E. C. T. (T. C. Capey), Newcastle upon Tyne.
Trevillion, D. C. (W. E. Dewdney), Bristol.
Tribe, R. J. (J. D. George), London.
Tricker, R. D. (G. F. B. Peirson), Coventry.
Trubee, J. A. (B. Hartley), London.
Trzebinski, S. (S. Jackson), London.
*Tucker, D. L. (C. W. Wildy), London.
Tucker, F. J. (W. F. Curtis), Exeter.
Tugwell, P. B. (W. L. Thurgood), London.
Turnbull, D. K. (J. H. Turnbull), Leeds.
Turnbull, R. J. (H. A. West), Berwick upon Tweed.
Turner, D. T. (W. E. Beddington), Derby.
Turner, G. H. (S. R. Aldrich), Preston.
Turner, J. C. (S. H. Sharp), London.
Twist, J. D. (B. G. McCarthy), Birmingham.
Tysoe, J. J. (J. A. Wagstaff), Worcester.
Tytler, R. M. (J. S. Darwell), Blackpool.

Underhill, R. J. (D. L. Dougan), Taunton.
Urmston, E. (D. B. Voisey), Warrington.

Vanes, E. D. (E. W. Browell), Birmingham.
Vaughan, M. G. (E. R. Nicholson), London.
*Verey, T. R. (J. P. N. Brogden), Portsmouth.
Vince, J. A. (D. Bruce), London.

Wade, G. V. (G. S. Major), Birmingham. (*Plender Prize for the paper on Book-keeping and Accounts* (*Partnership*).)
Wagstaff, A. B. (B. A. S. Soole), London.
Wakefield, D. J. (C. T. Plant), Derby.
Walker, D. T. (W. R. Reay), Newcastle upon Tyne.
Walker, D. W. (S. Jackson), London.
Walker, R. A. (C. R. Riddington), Leicester.
Wallace, D. J. (G. F. Huff), London.
Waller, R. de W. (*S*), Luton.
Walliker, C. J. (H. O. H. Coulson), London.
Walsh, B. M. (H. V. Clayton), Manchester.
Ward, D. G. (J. D. Shepard), London.
Ward, K. (P. Bennett), Manchester.
Warrilow, C. W. (E. R. Nicholson), London.
Warwick James, N. R. (H. W. Norman), London.
Wasley, M. J. (J. D. Askew), Cheltenham.
Waterfield, K. M. (W. H. Land), London.
Watkins, A. P. (G. C. Peat), London.
Webb, H. W. (D. A. Thornby), London.
Webb, N. P. (C. J. B. Andrews), Bournemouth.
Webster, J. W. (W. J. Brereton), London.
Webster, P. M. (H. Bolton), Leeds.
Weinstein, A. H. (A. Harris), London.
Wellsbury, M. W. (H. Cook), Wolverhampton.
Wesson, M. R. (J. T. Patterson), London.
West, B. (J. O. Faulkner), Swindon.
West, D. W. (W. A. Wheatcroft), Sheffield.
Westcott, C. L. (D. E. Dancer), London.
Westhead, A. (W. G. Wilson), Liverpool.
Westwell, G. S. (H. C. Davie), Blackburn.
Wheeler, D. J. (G. D. Farmiloe), Birmingham.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Whitby, B. R. H. (P. R. N. Stewart), Nottingham.
White, B. G. (D. W. Stirling), Birmingham.
White, J. W. E. (J. E. Ellis), Torquay.
White, P. E. O. (J. H. Mitchener), Southampton.
Whitham, A. F. G. (C. N. Whitham), Halifax.
Whittaker, M. J. (C. L. O'Callaghan), Nottingham.
Whittam, I. B. (R. H. E. Wilkinson), Manchester.
Wild, C. (F. Schofield), Oldham.
Wild, J. D. (E. H. King), Birmingham.
Williams, D. R. (S. R. Woodgett), Stoke-on-Trent.
Williams, D. S. (W. E. Ogden), London.
Williams, D. W. (S. C. M. Smith), London.
Williams, T. D. (L. R. Binns), London.
Willifer, B. L. J. (N. R. Mann), London.
Willingham, D. (G. C. Buckley), Stockport.
Wilson, J. (D. F. Gay), London.
Wilson, R. L. (B. J. Ketchlee), London.
Winter, L. (E. P. Miskin), London.
Wood, A. (J. R. P. Broadhouse), West Bromwich.
Wood, K. (C. Luxton), Bradford.
Wood, P. J. (M. B. Hewitt), Leeds.
Woodcock, N. M. (W. Marshall), London.
Woodcock, T. G. (T. H. Shore), Walsall.
Woods, D. W. (W. Murphy), Loughborough.
Wooten, D. A. (D. E. Ryland), London.
Worger, P. D. (J. L. Simpson), Bradford.
Wright, A. W. (L. L. Moore), London.
Wright, D. C. (A. M. Hendry), London.
Wright, J. R. T. (F. W. Knowles), Cleveleys.
Wrightson, B. A. (R. F. George), London.
Wyse, J. H. (E. L. Pargeter), London.

Yeeles, M. T. (F. M. Kellett), Newcastle upon Tyne.
Youds, R. W. J. (E. C. Mercer), Liverpool.
Youmans, W. R. (T. C. Middleton), Newcastle upon Tyne.
Young, B. W. (G. R. Fry), London.
Young, M. C. (R. W. Cox), Nottingham.
Yule, A. H. (S. P. Thomas), Birmingham.

762 Candidates passed. ***865 Candidates failed.***

PRELIMINARY EXAMINATION

Held on May 12th, 13th, 14th and 15th, 1959.

Full List of Names of Successful Candidates

(in alphabetical order)

Adamson, J., Ashton-in-Makerfield.
Allen, A. T. K., Southport.
Arnold, L. K., London.
Ashton, J. G., Chorley.
Atkins, P. C., Birmingham.

Bays, J. N., London.
Beal, D. P., Leeds.
Bell, G. A., Peel, Isle of Man.
Bell, J. D., Watford.
Bennett, B. J., Caterham.
Brennan, A., London.
Brodie, K. G., Leeds.
Burns, R., Chester.

Chapman, R. A. C., Godalming.
Chippington, A. K., London.
Cliffe, D., Congleton.
Coggins, D. W., Welling.
Culshaw, J. S., Adlington.

Davies, J. A., Atherton.
Deane, A. W., Hull.

Fenton-Jones, J. F., London.
Fisher, J. S., Bradford.
Forster, J. H. K., Cardiff.
Fox, M. P. H., Edgware.

Gavin, T. P., Worthing.
Gibbins, A. T., New Addington.
Gilbert, J. B., Manchester.
Gowthorp, A. B., Whitby.
Gray, L., Spalding.
Green, D., North Ferriby.

Harris, F. T., Kingston upon Thames.
Harris, N. J., Halifax.
Hatton, H. R., Beckenham.
Hickey, K. T., Greenford.
Hooker, C. J., Chigwell.

Jayasekera, A. R., Middlesbrough.
Jennings, M. F., Kingston upon Thames.

Keen, M., Southport.
Kirk, D., Buxton.
Kissane, P. J., Harrow.

Laughland, I. M., Gravesend.
Lodge, D. W., London.

Mason, M. C. H., Stansted.
Moon, S., Liverpool.

Nuttall, B., Manchester.

Peel, M. I., Middlesbrough.
Pilling, C. (Miss), St Helens.

Readman, F., Birmingham.

Sargent, R. G., Shenfield.
Simpson, M. C. (Miss), Sheffield.
Sutton, P., Keighley.
Symes, R. J., Birmingham.

Taylor, K. D., Manchester.
Thiyagalingam, N., London.
Tusting, S. B., York.
Tyley, R. J. H., London.

Usher, L. A., Romford.

Wainwright, J. A. W. P., West Byfleet.
Warne, B. H., York.
Warr, B. C. G., Kenilworth.
Watson, P., Solihull.
Watson, R. N. S., Southampton.
West, P. E. J., Southampton.
Wheadon, A. C., Guernsey.
Wilson, R., Liverpool.
Woods, J., Hull.

Yogananthan, M., Manchester.

67 Candidates passed. ***148 Candidates failed.***

Summary of Results

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates Successful	512	762	67	1,341
Candidates Failed	640	865	148	1,653
Candidates Sat	1,152	1,627	215	2,994

EXAMINATIONS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, and The Institute of Chartered Accountants in Ireland, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Intermediate and Final examinations of the Society in May 1959.

FINAL EXAMINATION

1. Candidates for membership of The Institute of Chartered Accountants in England and Wales.

Abrahams, N. V. (K. J. Trenchard), Seaton.
Andersen, R. E. (F. H. Harper), London.
Andrews, R. T. (C. N. Cooke), Solihull.
Anstice, N. F., Newport, Mon.
Astles, G. R. (S. Garner), Manchester.

Bains, N. (W. W. Atkinson), Newcastle upon Tyne.
Barker, D. G., London.
Barker, G. C. (J. A. Jackson), London.
Bato, M. J. (M. Nathan), London.
Benson, J. B. (R. W. Swinbank), Stockton-on-Tees.
Black, J., Huddersfield.
Blake, C. S. (G. E. Simpson), London.
Blankstone, D. R. (W. C. Sproson), Wolverhampton.
Blewden, P. G. (F. Barter), Southsea.
Bond, A., Newcastle upon Tyne.
Bonser, E. D., Wolverhampton.
Bourgaize, O. E., London.
Bright, M., Newcastle upon Tyne.
Brook, C. M. (C. S. Moores), Exeter.
Broomhead, P. (T. N. Steel), Huddersfield.
Buck, A. G., Birmingham.
Bulfield, R. W., London.
Burger, P. T. F. (C. B. Hewitt), London.
Burgess, J. (C. R. Cooke), Birmingham.
Butterworth, C. (J. P. Farrar), Ramsbottom.

Cain, R. N. (J. Fairhurst), Wigan.
Caldwell, H., Manchester.
Canham, J. M., London.
Capper, D. J. (C. F. Rumble), Banstead.
Carrano, D. F., London.
Chamberlain, J. R. (W. B. Wilkins), Spalding.
Champion, J. F., Preston.
Chandler, J. G., Bristol.
Chapman, R. A. (F. C. Smailes), Bristol.
Chapman, R. W., London.
Chapman, R., Grantham.
Cherrington, R. D. (D. W. Malpas), Bournemouth.
Clark, B. J. T. (H. Mark), London.
Clark, K. W. (G. Morgan), London.
Clarke, B. R. (E. H. Newman), Leeds.
Clarke, D. F. G., London.
Clarke, P. B. (J. Foster), London.
Clarke, V. D. (R. E. E. W. Bailey), Harlow.
Cole, R. C., London.
Collins, S. S. (L. I. Praeger), London.
Collins, T. M. A. (C. Wild), Dorchester.
Conlon, K. J., London.
Cooke, D. L., Manchester.
Cooper, J. B., London.
Cousins, L., London.
Cox, A. G. (J. M. Rae), Birmingham.
Cracknell, B. J. (G. A. J. Morris), London.
Cross, J. M. (R. Harold Hughes), Wolverhampton.
Crossey, R. A. (L. W. H. Evans), Sheffield.

Dando, B. H. (J. D. King), London.
Davies, D. A. (W. A. Shepherd), Risca.
Dellal, D. (R. J. F. Slipper), London.
Dickey, D. P. R. (J. T. Jones), Cardiff.
Douglas, G. L., Hull.

Edwards, G. W. F. (J. R. F. Williamson), London.
Ellis, D. (J. D. Caine), Blackpool.
Emmett, C. (R. W. Dyson), Nelson.

Faiers, C. P., Cambridge.
Fairburn, D., Liverpool.
Forth, W. H., London.
Freeda, G. (Miss), London.
Fulford, M. J. (C. M. Tustain), Leicester.
Fulwell, J. (R. Kettle), London.

Gilbert, R. M., London.
Glover, E. B. (D. B. Whittingham), Shrewsbury.
Goodall, A. A. (R. D. Harrison), Rhyl.
Gooday, E. G. (A. H. Vaines), London.
Goodwin, G. W. R., London.
Gotsell, D. J. R. (W. F. Page), King's Lynn.
Graham, B. S. (J. E. Coppock), Carlisle.
Grass, D. G. (W. Dent), Middlesbrough.
Gray, F. H., London.
Gregg, A. J. (J. Stephenson), Peterborough.
Grimes, J. E., Liverpool.

Hall, R. M. (H. G. Jenkins), Chester.
Handyside, R. G. (A. Salter), Cardiff.
Harbut, D. J. (W. Jones), Stroud.
Hartley, D., London.
Haslett, D. F. (H. N. Wylie), London.
Hatch, B. S., Reading.
Heathcote, J. R., Wolverhampton.
Hesmondhalgh, J. (J. Donaldson), Preston.
Hewett, P. F., Cambridge.
Hewson, J. P., Hull.
Heywood, A. R. (E. E. Burridge), Bristol.
Hill, A. T. (R. W. Chauveau), Liverpool.
Hillel, D. (C. J. Auerbach), London.
Hillyer, B. D. V. (A. R. Terry), Uckfield.
Hodgkinson, E. (W. H. C. Wayte), Loughborough.
Hodgson, J. A. (R. N. Sharp), Sheffield.
Hoy, C. W. (L. F. David), London.

Ingram, W. R., Hastings.

Jackson, R. W. E. (P. F. Keens), Luton.
Jarrett, K. R. (J. S. Lake), London.
Jelley, N. G., Leicester.
Jenkins, J. M. (K. V. Longbottom), Newcastle, Staffs.
Jennings, S. W., London.
Johns, D. R. (D. T. Veale), Leeds.
Johnson, M. H. T. (L. A. Ashley), Swindon.
Jones, D. E. (R. W. C. Dunn), Birmingham.
Jones, R. A., Stoke-on-Trent.
Jones, T. O., Lusaka, Northern Rhodesia.

Kaye, J. M., (J. T. Hibbs), Lincoln.
Keffler, P. J. L. G. (J. M. Harrison), Liverpool.
Kennedy, C. J. (W. J. Wadley), Malvern.
Kenwright, T. (H. Keate), Manchester.
King, P. D., London.
Kirk, K. S. (T. R. Oliver), Nottingham.
Kowalski, J. Z. (W. Y. A. Wright), London.

Lakin, R. J. (T. R. McBride), London.
Lee, B. E. (F. J. Connor), Manchester.
Lees, R., Leicester.
Lewis, V. W. (A. S. John), Pontypridd.
Livingston, I. H. (S. Bartfield), Leeds.
Loder, J. A. (Miss) (W. C. S. Waight), Bromley.
Loochin, I. B. (S. J. Chubb), London.
Lovejoy, P. (F. I. Read), London.
Lumb, C. D. (J. Fearnside), Bradford.
Lumley, D. A., Middlesbrough.

McNish, I. (F. A. Ricks), Nottingham.
Madge, P. J. (E. R. Nicholson), London.
Major, R. G. (P. H. Palmer), Nottingham.
Malyon, J. S. (L. E. Grimshaw), Worcester Park.
Marks, M. M., London.

Mason, G. (W. A. Airey), Liverpool.
Matthews, D. E. (J. A. Pearson), Newport, Mon.
Mawson, H. J., Liverpool.
Meredith, K. T., Gloucester.
Mian, M. K. (H. Bach), London.
Miller, R. A., London.
Mitchell, B. H., London.
Moor, M. F. (R. W. Wheeler), London.
Moore, R. (L. E. Rudkin), Leicester.
Morphew, J. B. (R. McNeil), Hove.
Mortimer, D. C. (W. H. White), Berwick-upon-Tweed.
Mount, R. (K. R. Stanley), Lancaster.
Mulvihill, P., Liverpool.

Newman, H. M., London.
Newton, J. A. (H. O. Barnsley), London.
Norman, A. C., Nottingham.
Novy, V. J. (F. E. Holroyd), Hull.

Owens, J. R., Liverpool.
Oxley, R. F., Tunbridge Wells.

Parrish, J., Leeds.
Parry, R. (W. B. Nelson), Liverpool.
Patt, A. L. (H. Finck), London.
Pelling, M. K. (P. H. Plews), London.
Perkins, J. N. (W. H. Fox), Northampton.
Phillips, T. M. (P. A. Hayes), Cardiff.
Phillips, V. F., Coventry.
Powell, H. M. (W. Curtis), Neath.
Powrie, D. (G. W. A. Gray), London.

Rackett, D. E., London.
Ralph, G. W. (A. C. McDonald), Surbiton.
Rann, J., Newport, I.o.W.
Rogers, J. M. (T. Howorth), Birmingham.
Routledge, E. (A. I. G. White), Newcastle upon Tyne.
Routledge, H., Manchester.

Sadler, E. V. (W. G. A. Russell), Birmingham.
Sandland, J., Huddersfield.
Saunders, K. J. (G. W. Maylam), London.
Schrieber, S., London.
Scott, A. L. (E. Stone), London.
Scottis, G. G. (A. H. Farquhar), London.
Scriven, J. G., London.
Sealey, T. A., Dublin.
Seaward, A. R. (H. L. Brown), London.
Seddoh, E. E. (H. R. Elliott), Worthing.
Simpson, M. C. (G. H. Kelsey), Lincoln.
Slader, K. W. (J. B. Chilcott), South Molton.
Slater, N. H. (A. R. Collinge), Bacup.
Smith, A. (H. J. Impey), Oxford.
Smith, A. J. (J. B. Corrin), Northampton.
Smith, B. R. (S. Snowball), Leeds.
Smith, C. W. (G. E. Skaith), Grimsby.
Smith, D. R. (G. A. Wrigley), Bradford.
Smith, K. G., Hull.
Smith, S., Bradford.
Spencer, J. H., Liverpool.
Sperry, R. E. (C. R. Riddington), Leicester.
Stagg, D. (N. D. Taylor), Sheffield.
Stephen, I. G. (D. B. Ward), Newcastle upon Tyne.
Stewart, J. R. (A. E. Mullis), London.
Stubbins, T., Hull.
Styles, D. E. J., Slough.

Taylor, B. (A. A. Phipps), Manchester.
Thomas, A. I. (I. Engel), London.
Thomas, D. J., London.
Thomas, L. B. (D. G. Evans), Cardiff.
Thompson, J. (G. D. Whipp), Accrington.
Thorne, B. (V. J. H. Harris), Northampton.
Timms, J. W. (F. W. Flint), Nottingham.
Tiplady, W., Bury.
Titheradge, D. E. H. (D. G. Truscott), London.
Towler, R. S. (J. C. Thornley), Wisbech.
Truelove, E. G. (R. T. Wrieden), London.
Truelove, W. C., London.
Tuke, G. (A. H. Hainsworth), Bradford.

Ufland, D. L. (S. J. Chubb), London.
Unwin, T. J. (S. R. Woodgett), Stoke-on-Trent.

Varcoe, B. R. (F. P. L. Roberts), Bristol.

Waite, W. T. (A. C. Shay), London.
Wardle, J., Nottingham.
Watson, J. D. (J. B. Carter), Nottingham.
Weare, B. J., Cardiff.
Webb, A. D. (C. H. Pettit), Northampton.
Whatman, A. C., Tunbridge Wells.
White, M. J. (A. C. McDonald), Surbiton.
Whitson, R. J. (L. W. Huggins), Gloucester.
Wild, C. B., Rotherham.
Williams, G. T. (E. Chetter), Liverpool.
Williams, G. T., Scunthorpe.
Williams, J. P. (G. A. Watkins), Neath.
Williams, R. (C. H. Sutton), Norwich.
Wills, J. R. (S. Woodyer), Liverpool.
Wilmot, K. F., London.
Wilson, A. W. (H. J. Bicker), Bournemouth.
Wilson, R. (H. I. Ockelford), Nottingham.
Winterburn, J. H., Bradford.
Wise, D. E. (C. A. Butt), Leamington Spa.
Wood, A. T. (R. L. Stephens), Manchester.
Wood, P. L. (J. W. Berriman), Middlesbrough.
Wooldridge, L., London.

Young, E. C., London.
Young, J. (G. W. Robinson), Newcastle upon Tyne.
Youngman, B. J., London.

2. Candidates for membership of The Institute of Chartered Accountants of Scotland.

Brown, H. O. (Festus Moffat & Co), Falkirk.
Farmer, G. T. (Stewart Harcus), Edinburgh.
Irvine, I. J. (Wilson, Stirling & Co), Glasgow.
Mitchell, I. McG. (Festus Moffat & Co), Falkirk.
Wood, J. A. (Cooper Brothers & Co), Glasgow.
Young, J. (John J. Welch & Co), Kelso.

3. Candidates for membership of The Institute of Chartered Accountants in Ireland.

Brennan, J. (F. N. Kelly), Waterford.
Brown, H., Belfast.
Carney, T. F., Dublin.
Courtney, D. F. (H. M. Quinlan), Dublin.
Hohn, D. T., Dublin.
Jamison, I. A. (J. D. Radcliffe), Belfast.
Johnston, J. R. (James Baird), Belfast.
McCleary, P. J. (S. O. Forster), Dublin.
Mitchell, J. S. (D. T. Carson), Ballymena.
Mullarney, J. (John Woods), Dublin.
O'Muirthile, D. (J. R. O'Leary), Cork.
Stewart, M. H., Coleraine.
Taylor, D. C. B. (L. A. Matthews), Dublin.
Thornbury, W. R., Belfast.
Tinsley, H. R. (H. E. A. Addy), Belfast.
Valentine, P. S. E. (L. A. Matthews), Dublin.

Summary of Results

	Passed	*Failed*	*Total*	*Completing Examination*
Intermediate	163	216	379	163
Final				
Parts I and II together	5	9	14	5
Part I only	†109	75	184	5
Part II only	††244	160	404	243

† Includes ten candidates who sat for both Parts of the Final examination and passed in Part I only.
†† Includes one candidate who sat for both Parts of the Final Examination and passed in Part II only.

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CONTENTS

Contracting Out

AFTER the publicity which greeted the Government's proposals for a graduated pension scheme, first set out in a White Paper[1] last October and then presented in a Bill in January, the National Insurance Act, 1959, which reached the Statute Book on July 9th, pursued an almost unobtrusive passage through Parliament. It is planned to start the collection of graduated contributions in April 1961. Three sets of draft regulations have now been published[2] upon which representations are invited to be sent, not later than September 8th, to the secretary of the National Insurance Advisory Committee, 10 John Adam Street, London, WC2. All the draft regulations relate to 'non-participation' – which is the Parliamentary term for what the White Paper called 'contracting out' – and they deal respectively with 'certificates', 'appeals and references', and 'benefits and schemes' and are in the main confined to matters of administration, so that we may hazard a guess that the Advisory Committee will not be over-burdened with suggestions, and that the regulations when prescribed will not differ materially from the drafts.

An employer who proposes that the members, or certain categories of the members, of an institutional pension scheme shall be contracted out of the payment of graduated contributions to the State scheme, will apply to a Registrar of Non-participating Employments for a certificate, after first giving one month's notice to the employees concerned, to the trustees if there is a trust fund, and to the insurer if the institutional scheme is based on assurance or annuity contracts. Provision is made for any interested party to appeal from a decision of the Registrar to an Adjudicator – a lawyer to be appointed by the LORD CHANCELLOR – to whom also the Registrar may refer questions instead of determining them himself, and for appeals to be made from decisions of the Adjudicator, on points of law only, to the High Court. The hearing of appeals or references to the Adjudicator may be oral, at which parties interested may either be heard in person or represented by some other person whether legally qualified or not, and the Adjudicator may provide himself with 'the assistance of an assessor or assessors having the necessary professional qualifications, whom he shall select from a panel appointed by the Minister after consultation with the appropriate professional bodies'. The regulations, like the Act, do not name any professions, but the Ministry have instanced accountants as

[1] *Provision for Old Age*. Cmnd. 538. 1958. H.M.S.O. Price 1*s* 3*d*.

[2] Obtainable from H.M.S.O. Price 6*d*, 4*d* and 3*d*, respectively.

one example of those regarded as qualified assessors.

Section 8 (1) (*c*) of the Act makes it a condition of contracting out that the scheme pension, or a specified part of it, is payable for life and not suspensible except for causes to be prescribed; and the 'Benefits regulations' have hastened to take the essential step of covering that suspension upon an attempted assignment which is a required condition of approval of every pension scheme. They also except a suspension during imprisonment, but they go no further, so that as the regulations now stand there will be no contracting out for any scheme where a pension may be withheld to make good a defalcation, or forfeited if the pensioner accepts competitive employment without his previous employer's consent, or acts detrimentally to that employer's business.

If we might venture to make one suggestion to the Advisory Committee, it is that to meet the case of an important minority of established schemes, 'Benefits' regulation No. 2 might include as a 'prescribed cause' the operation of any provision for the payment of a pension to some other person, or its application in some other way, for the pensioner's benefit whenever he is suffering from such physical or other incapacity as renders him unable to manage his affairs. It is true that Section 8 does not say to whom the pension must be payable, but the only safe course is to assume that it means 'payable to the pensioner', and there are occasions when this is inadvisable, or even impracticable.

Pursuant to Section 8 (4) (*b*) the regulations prescribe that the scheme must be one connected with some undertaking carried on wholly or partly in Great Britain by a person having a place of business therein; that if a trust, it is subject to the laws of some part of Great Britain: and if based on assurance or annuity contracts, that those contracts are made in this country; so that there will be no contracting out by any British branch of an overseas organization which does not keep the fund of its British pension scheme in Great Britain. The regulations are, however, silent on that other requirement of that same subsection, the financial adequacy of the fund, and it is to be expected that with few, if any, exceptions, a provision for an actuarial valuation at least once every five years will be required. But a more frequent actuarial valuation is not legislated for a life office, and it is to be hoped that it can be avoided for a pension scheme trust. Already it is within the power of the Registrar to require to be furnished with an imposing array of reports, accounts, and such other information as he may desire, and he must be notified of 'any change of circumstances' affecting the scheme, and be given one month's notice of any proposed change in its rules or in the administration of its fund. It is suggested that the periods between successive quinquennial valuations could be adequately covered by somewhat more comprehensive reports of the scheme's auditors than those at present considered adequate by a minority of pension schemes, coupled with the requirement that those audits be annual. Under the provisions of Section 22 (4) of the Trustee Act, 1925, trustees (unless, of course, empowered to the contrary in the trust instrument) are permitted to incur the expense of an audit only once in every three years. The majority of pension scheme constitutions already prescribe an annual audit, and such a prescription may well be required as a condition for contracting out.

There will doubtless be many pension schemes which will not contract out, either in respect of all their members or any category of them, and others which will apply to contract out in gross. The latter, however, are likely to be far less numerous than those in which only some of the 'employments' are sought to be declared non-participating. There is nothing in the draft regulations to support those pessimists who have so loudly and so often proclaimed the fear that some arbitrary restrictions upon differentiation will be imposed. Manifestly the categories which are to be contracted out must be defined in such certain terms that it can be recognized beyond a peradventure which employees come within the definition and which do not. But it is submitted that 'employments' can be distinguished not merely by sex, or age, or type of work, or frequency of payment, but also on any other bases which can be clearly defined, of which the amount of the remuneration is only one, though admittedly an important, example. It would indeed be unfortunate if, to circumvent some arbitrary limitation, any existing pension schemes had to be split into two schemes in order to preserve that 'continued development' to which which the White Paper informed us last year the Government 'attach the greatest importance'.

It is, of course, in relation to those schemes some only of whose members are to be certified to be in non-participating employments, that a pronouncement is so eagerly awaited upon the interpretation to be put upon 'adequate provision to ensure payment of the benefits', and it is earnestly to be hoped that some middle course will be found between a prescribed standard applied to the scheme as a whole, and a requirement that the 'equivalent benefits' shall constitute a prior charge upon the scheme's fund. As to the first point, we have in mind the difference between that free exercise of professional skill by the actuaries who make the periodical valuations of life offices in this country, a system which has served so well for nearly three hundred years, and the rigid formulae laid down for their counterparts in many other countries. Rigid formulae have a way of imposing hampering conditions needlessly on the many, without necessarily proving more efficacious than skill applied with integrity upon the few. As to the second, a preference given to one class of members of a pension scheme implies a detriment to the other class, and where only some of the members are in the contracted-out class, it is likely to be the younger and less highly remunerated members who would be in the other, prejudiced, class.

The Business Game

by T. E. GAMBLING, B.Com., A.C.A.

Lecturer in Accounting and Business Administration, City of Birmingham College of Commerce

THE traditional problem in training of any sort has always been to give students experience in using the techniques which they have been taught. In the teaching of fairly simple skills, the solution is easy; but in, for example, the training of fairly advanced students for positions in top management where the skills involved are many and complex, the only solutions so far produced have many disadvantages.

The least unsatisfactory of these solutions has been the small group of students meeting under the guidance of an experienced teacher to discuss and to come to decisions on some problem of management. Such seminars, however, impose a considerable burden on the staff responsible for the training: not only has the specific problem to be planned, fully documented and communicated with all its implications to the students, there is also the necessity for the lecturer to try to be impartial in his assessments of the students' reactions to his own conception; the period during which one 'case-study' can be used is very limited; and finally the whole procedure has an unrealistic, contrived air which has a bad effect on students.

New Training Technique

A new technique in training junior- and middle-grade executives for top-level management has recently arrived from the U.S.A.; the technique depends ultimately on the capacity of an electronic computer to perform, in a short time, an enormous number of calculations on a considerable amount of mathematical information.

The inventors of this new technique, I.B.M., who have planned it around their '650' computer, have used it successfully in the United States and gave the first demonstration of it in Britain last November.

The trainees, who may vary in number from fifteen to, say, twenty-seven, are divided into three groups. Each of these groups acts as the board of a manufacturing company which has to settle and implement a sales and manufacturing policy in the normal way of any business. Each imaginary company is supposed to be producing a similar article – of the consumer-durable type – and there are four areas in which they can sell the article. Each company is located in one of the four areas, in which it obviously has advantages of transport and distribution over its competitors; the fourth area is common to all three companies and in it none has any advantages over its rivals.

The imaginary boards begin their business career with a capital of just over sixteen million pounds and this includes manufacturing plant and machinery, finished articles in stock and cash. The board has to decide on its expenditure for the next three months – how much it will allocate to costs of production, transport, distribution and selling. In addition, certain sums have

to be earmarked for research and development, replacement of plant, or for the purchase of new plant. Finally, the selling-price of the product has to be fixed (this may vary in each of the areas where it is sold).

The advantages of this method of training are obvious: here is an almost perfect replica of normal commercial life, not an artificial set of circumstances imagined by a lecturer. The trainee, who almost certainly in his professional existence spends all his time in one department of commerce, is now given the opportunity to broaden his experience – to balance, one against the other, all the numerous factors which dictate a company's policy and its business methods; he has to make realistic decisions and to justify them.

When the board has made its decisions and has allocated its expenditure for the next three months among the various demands, this information (with the selling-price of the article) is converted on to punched cards and is fed into the computer. The computer has been programmed with a mathematical simulation of the demand-curves in each of the four areas, and the cost-curves in the three factories. It has been instructed to assess the various factors which govern potential sales (e.g. amounts allocated to selling expenses), and all the other complex factors which will govern profits made (e.g. whether the plant is working to full capacity, how much is allocated to development, etc.).

Real-life Conditions Simulated

The factors are obviously so many and so involved that no student will be able to estimate the results of the decisions he and his fellows make. They are not informed of the programming of the computer so that they are as dependent as a normal board managing a real company on their acquired experience and commercial training. The programming of the computer is not fixed and may be changed by the lecturer to simulate seasonal demands or, for example, boom periods and slumps.

With the information fed into it and the instructions already received, the computer calculates the number of articles each company will sell in each area, and from this arrives at a balance sheet and profit and loss account for the quarter's trading. Copies of this are provided for each company and the trainees can now see the results of their earlier decisions. This again is a valuable part of the training technique; it provides students with experience in reading and assessing balance sheets, which although simplified, nevertheless are sufficiently comprehensive for all practical purposes. The machine also provides total market research figures for each trading area. At the end of four quarters' trading each board receives a shortened form of its competitors' accounts.

Thus the students are in the position of knowing the results of past trading, having figures of potential markets and being aware of the financial position of their competitors – circumstances which nearly perfectly reproduce the real field of commercial enterprise. The students must base their plans for the future on the figures of past trading; they must be prepared to assess the importance of the various factors quickly and make decisions judiciously based on their assessment; their calculations must be accurate, for the machine will reject inconsistent information.

Impressive Performance

The advantages of the new technique – 'Management decision-making laboratory' or 'Business game', as it has been called – are so obvious that a number of lecturers who are concerned with teaching management at the City of Birmingham College of Commerce recently took part in an experimental session which lasted for five hours in order to assess the value of the technique as an aid in their courses. All were so impressed that arrangements have now been made to incorporate the technique in suitable courses held in the college next session.

Some modifications in the technique as it has been previously practised will be made. For example, it was generally felt that relatively inexperienced students would need much more time for assessing figures and making decisions than has so far been allowed. As a result half an hour in each lecture will be devoted to the analysis of the previous quarter's trading results and allocation of funds for the succeeding quarter. There will usually be a week's interval between lectures.

The technique promises well; it certainly has no rival as a method of training students in the practice of business economy at a top-management level. Its incidental training in other aspects of organization and administration add to its value, and the amount of training which can be carried out in a fairly short time is another important feature. It is not, of course, the solution to every problem in training but it certainly seems to have more advantages than any other so far practised.

Budgetary Planning and Control – II

A STUDY OF BUDGETARY PRACTICE IN BRITISH INDUSTRY

by J. R. PERRIN, M.B.A., Ph.D.

THE function of budgetary planning in most companies appears to be to help supply managers not with a blueprint for forthcoming operations, but rather with a rational sketch-plan indicating the perspective of probable developments. In few companies has the inquiry found significant evidence to suggest that operating budgets are serving to force managers to operate within inflexible or unalterable programmes of predetermined commitments. Budgetary control, as distinct from budgetary planning, is not exercised through the budgets directly, nor through the budget accountant, but rather through the provision to managers of reports and analysis which enable them to make reasonably prompt and accurate comparisons of actual progress with expected progress – to the end that problems, especially 'exceptions', may be promptly located and the proper corrective actions initiated. Additionally, the control effects exercised indirectly through the self-discipline and co-ordination generated during managers' participation in budgetary planning activities may contribute effectively to the total long-term value of the budgetary programme, at least in companies in which all, or most, managers participate actively in the programme.

Company accountants' replies to questions concerning the objectives of their budgetary programmes and the relative importance of budgetary planning and control appear to indicate that, in principle, planning is regarded as being nearly as important as control. But the overall impression conveyed by analysis of other research findings is that in some companies preliminary forecasting and organized budgetary planning do not receive the careful preparation and the responsible and critical evaluation that is frequently lavished upon budgetary control activities. For example, while boards of directors in thirteen of the companies reportedly examine top management budgetary control reports, boards of directors in only nine of the companies examine and give final approval to the draft budgets on which the budgetary control reports are subsequently based. It seems reasonable that where budgetary control is sufficiently important to justify the board of directors' attention, draft budgets should also justify and require careful examination by the paramount planning and policy-making body of the enterprise. Can the co-ordination and control output of the budgetary system rise significantly above the quality standards of the budget planning input?

The concluding part of an article abridged from 'Budgetary Planning and Control in British Industry', a thesis accepted by the University of London for the Ph.D.(Econ.) degree.

Budget Administration

In all but two of the twenty-two companies using operating budgets it was found to be the practice for the budgetary programme to be administered by the same accounting executive responsible for other principal accounting activities. The apparent status and influence of the senior accounting executive varies widely from company to company. The full-time budgetary specialists, where such posts exist, are in every case located at a level of authority and status subordinate to the chief accountant (or equivalent). The two companies in which the budgets are administered by an executive independent of the established accounting staff both represent rather special cases, and it appears to be a reasonable conclusion that the appointment of senior level budget administrators or co-ordinators independent of the established accounting organization and reporting directly to senior line management, is an uncommon practice among British companies (although a popular minority practice among the larger American companies).

Budgeting and Management Morale

Within the group of companies studied it appears to be generally recognized that one of the most essential requirements for a successful budgetary programme is the presence of constructive human relationships between the budget staff and managers at all levels. Some of the more important factors that appear to contribute to such constructive relationships deserve emphasis. First, top management must provide strong moral support for the budgetary programme, especially during its early years. In most companies managers should probably be encouraged to participate actively in budget preparation, but it may sometimes be necessary to undertake orientation or instruction projects in order to increase their interest and ability to profit fully

from budgetary planning and control. Budgets and budget reports must be prepared and rendered to managers promptly, and they should be so organized that the budgetary responsibilities of each manager (items and activities over which authority and control are exercised) are simply and unequivocally stated.

Lest the budgetary programme outgrow its value, care must be taken to ensure that the use of operating budgets is not allowed to supersede the normal chain of command authority and responsibility relationships; and that the rigour of the budget programme does not excessively restrict the initiative and the necessary authority for decision making of the individual manager. Similarly, a conscious effort may be needed to ensure that the setting of precedents which may subsequently conceal complacency or inefficiency is held to the minimum, and to ensure that their individual budget goals do not come to be regarded by managers as more important than the overall objectives and general welfare of the enterprise as a whole. In short, budgets when properly used can give rise to greater co-ordination of activities and resources; misused, they can lead to inflexibility and the fragmentation of effort.

British and American Budgetary Practices

It may be asked to what extent the findings reported for this study of thirty companies are truly representative of British industry as a whole. Firstly, it should be noted that a study of thirty public companies of larger than average size cannot provide reliable statistical conclusions for the whole population of British companies. Secondly, it must be remembered that accountants in some twenty-five additional companies were unable or unwilling to participate in the study. In most of these companies it appears that formal operating budgets are not in use.

A suggested, but purely tentative conclusion, is that operating budgets are now used in somewhat less than 50 per cent of British companies having more than 500 employees. Among both public and private companies of all sizes the overall incidence of operating budget users is presumably much lower, while among large companies (i.e. 4,000 or more employees) the proportion of budget users may well exceed two in every three companies.

In the Anglo-American Council on Productivity report entitled *Management Accounting* (London and New York, 1950), it is concluded that most American companies use some sort of budgetary control. I believe this was a truthful conclusion, but only as regards the larger type of public company – the same type of company as is included in this study of British practices. Nevertheless, operating budgets are quite probably still more generally used in the United States, although the comparison may soon be equalized or reversed, if the number of newly created or proposed budget systems observed during the current study is, in fact, reasonably typical of British industry as a whole. Fully half of the budget systems encountered during the present study have been introduced only within the last eight years.

It seems to me that the principal differences between British and American budgetary practice may be the following: differences in organization as represented by the American use of budget co-ordinators detached from the main accounting staff and working directly under line management, and by the more widespread use of advisory budget committees, composed generally of representatives of several levels of operating management; the more general American use of long-term forecasts and capital development budgets projecting future expectations (or hopes) for ten or even twenty years in advance; and the somewhat more widespread use in America of flexible budget techniques.

But there is a further possible difference that may bear comment. I have gained the impression – this is a purely personal and subjective opinion – that American budget programmes very often are operated so as to exercise a more constant and critical pressure on managers (including foremen) for economy, productivity and conformity to plan. A few American managers have even been known to think of budgetary control as a sophisticated twentieth-century equivalent of the Spanish Inquisition.

Whatever differences of practice may exist between the two countries, it seems perfectly clear that budgetary techniques have gained an important and still expanding status in the present era of management-oriented accounting in both nations. But the more widespread use of budgeting is certainly not an end unto itself. Successful management is primarily the art of co-ordinating human activity. If accounting skills are to be permanently and fruitfully married to management arts through budgetary planning and control, each separate union must prove itself not only productive but also fully adaptable to the objectives, character, temperament and genuine needs of the individuals participating.

(*Concluded.*)

The Accounting World

AUSTRALIA

Budget Concessions

THE Australian Federal Treasurer, Mr Harold Holt, outlined his Budget to the Australian Federal Parliament on August 11th. Its highlights included a reduction of one shilling in the standard rate of income tax, the introduction of a withholding tax on dividends paid to non-residents, and an increase to £A400 in the maximum allowance for life insurance premiums, superannuation contributions and like payments. Additional income tax relief is given to men over 65 and women over 60. The withholding tax is to come into operation next July. The rate will be 6*s* in the £, except in the case of residents in the United Kingdom, Canada and the United States, who will enjoy a preferential rate of 3*s*. The tax will be similar to that imposed by the two latter countries.

To encourage young and growing companies the secondary tax on company profits will be reduced; the minimum retention allowance will be increased from 25 to 30 per cent. Duty on motor and aviation spirit is reduced by ½*d* a gallon. The total tax concessions are expected to cost £A25 million in a full year. On the other hand, a 5*s* prescription charge is to be introduced for drugs which were formerly free, but the range of drugs on the free list is extended. The postage rate goes up from 4*d* to 5*d* for the first ounce, but this will cover transport by air within Australia wherever that is the quicker method; at present there is a 3*d* surcharge for air mail. The charge for local telephone calls goes up from 3*d* to 4*d* but all calls within a radius of twenty-five miles will be charged as local calls only. Trunk call, and telephone rental charges go up. The old age and invalid pensions go up by 7*s* 6*d* a week to a new maximum of £4 15*s*. The immigration target for 1959–60 is to be increased from 115,000 to 125,000.

INDIA

Compulsory Rehabilitation Fund for Replacing Machinery

THE National Council of Applied Economic Research has recommended a compulsory Rehabilitation Fund for every company to provide for the rising costs of replacing assets. The Council, which recently undertook a study of 'Replacement cost in industry' at the request of the Steering Group on wages set up by the Union Labour Ministry, has stated in its report that because of inadequate finance, companies are postponing replacement and are holding on to old machinery and assets even after the expiry of their technical life.

It is feared that the continued use of old machinery will cause Indian exports to suffer in international markets. The Council suggests that, in the larger interest of the country, it should be made obligatory for every company to create a plant rehabilitation fund by means of a prescribed amount, in addition to normal depreciation, from the gross profits before any appropriations are made for dividends to shareholders or bonus to workers.

The study indicates that many Indian companies do not make any provision for the higher replacement value of assets and the Council finds that in many wage disputes, although the need for creating such a fund is realized by both labour and management, controversy centres on the way of calculating the amount required under this head. The Council suggests several convenient methods of calculation.

NETHERLANDS

Legislation to Regulate the Accountancy Profession

THE Netherlands Government has tabled a Bill to regulate the accountancy profession in that country. The Bill – which will be considered by both the Second and the First Chamber of the Netherlands Parliament – proposes the establishment of a register in which will be entered the names of all those who have passed a university accountancy examination or who have passed the accountancy examination to be held by a new professional organization to be established under the relative Act, viz. the Netherlands Institute of Register-Accountants. The mere title of 'accountant' will not be protected.

During a certain period after the Act comes into force the following persons may qualify for registration by virtue of the transitory provisions:

(1) those who have passed another Netherlands accountancy examination guaranteeing a sufficient professional competence;

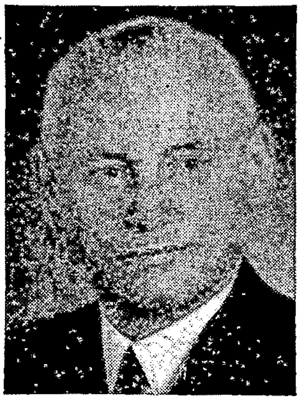
(2) those who, in the period of fifteen years immediately preceding the date when the Act comes into operation, have for a period of at least ten years practised the accountancy profession to an extent and in a manner guaranteeing a sufficient professional competence.

In principle, only Netherlands subjects and those having their place of residence in the Netherlands would qualify for registration. However, for the application of the proposed Act, subjects of other countries which are members of the European Economic Community will be put on a par with Netherlands subjects.

The draft Bill is, in the main, identical to a draft proposed by a Governmental committee which in 1956 submitted a report to the State Secretary for Economic Affairs. This committee was composed on a broad basis and included various members of Netherlands accountancy organizations.

Accountants' University Appointments

THREE members of the Netherlands Institute of Accountants have recently been appointed professors at Dutch universities. They are Dr A. Th. de Lange, of Amsterdam, the President of the Netherlands Institute, who has been appointed Professor of Business Economics (with special reference to business finance) at the University of Amsterdam; Mr R. W. Starreveld, also of Amsterdam, who has been appointed Professor of Administrative Organization and Administrative Technique (with special reference to the automation of data processing), at the same university, and Mr G. Diephuis, of Hengelo, who has been appointed Professor of Accountancy at the State University at Groningen. All three will be combining their professorates with their professional work.



Dr A. Th. de Lange

SOUTH AFRICA

Decimal Coinage

THE Decimal Coinage Act, 1959, has now passed through all stages of the South African Parliament and introduces the necessary machinery for decimalizing the Union's currency. D (for decimal) Day will be February 14th, 1961, and until then the existing £ *s d* coinage will be the only official system in operation.

The introduction of the new monetary system is a result of the findings of a Decimal Coinage Commission set up in August 1956 under the chairmanship of Dr N. Diederichs, M.P., now Minister of Economic Affairs, to investigate and report to the Government on the most appropriate decimal currency system for the Union, the method of its introduction, the estimated cost of such a change-over, and the basis of compensation, if any, which should be paid by the State. The Commission was not asked to consider the principle of decimalization which had already been accepted. The Commission presented its report in August 1958 and was unanimous in its findings in all respects except the choice of the major monetary unit. The majority (twelve out of fifteen members of the Commission) recommended the adoption of the '10*s* cent' system whereby the existing bank notes and silver coins in circulation would be retained, with two 10*s* units to the pound and the new unit divided into ten single shillings or 100 cents. In this system, the first decimal would signify a corresponding number of shillings and the designation 'shilling' would be retained; only pence would require conversion and new cent, and fractional cent, bronze coins would need to be struck. The minority report (signed by the remaining three members of the Commission) preferred a '£ cent' decimal system, which would retain the present £ as the major unit and itself be divided into a hundred cents. Such a system would in practice necessitate the use of three decimals and this, in the opinion of the majority, outweighed the considerable advantages associated with the £ as a unit. In fact, the Commission pointed out that of the 145 countries in the world with decimal currencies, 138 have the two-decimal system.

The Government decided to adopt the majority recommendation for a '10*s* cent' system, with the new unit to be known as the 'Rand' (R). The new Decimal Coinage Act provides for the issue of two gold coins – one Rand (10*s*) and two Rands (£1); five silver coins – 50 cents (crown), 20 cents (florin), 10 cents (shilling), 5 cents (sixpence) and 2½ cents (threepence); and three bronze coins – one cent (12/10ths of a penny), half cent (12/10ths of a halfpenny) and quarter-cent (12/10ths of a farthing). During the change-over period, the existing coins will remain in circulation and have the corresponding values in the new currency. The Act also provided for the setting up of a Decimalization Board consisting of a chairman and not less than four or more than eight other members, whose functions and duties are to facilitate the transition into the new currency. During the second reading of the Bill in Parliament, the Minister of Finance announced that Dr E. H. D. Arndt, the Deputy-Governor of the South African Reserve Bank, had been appointed chairman of the Decimalization Board and that the Reserve Bank had agreed to release him for three or four years for this purpose. Two other members of the Board have so far been announced – Mr P. L. Vlaskamp and Professor B. S. Wiehahn, C.A.(S.A.), the last named having acted as cost and technical consultant to the Decimal Coinage Commission. The specific powers of the Decimalization Board as set out in the Act are mainly concerned with the cost of converting existing monetary machines to decimals and the payment of compensation to machine owners, estimated by the Commission to be in the region of £9 million.

The need for all business personnel and the public generally to become accustomed to the new currency system is fully realized and no doubt the Decimalization Board will enlist the services of educational authorities, the Press and the South African Broadcasting Corporation for this purpose. The Southern African Division of The Chartered Institute of Secretaries has taken the initiative in this respect and has arranged a two-day seminar in Johannesburg to be held during September to bring to the attention of all interested persons the problems involved in the change-over to a decimal coinage system. Two evening sessions will be thrown open to the general public and addresses will be given under the titles of 'Shopping in decimal coinage' and 'Decimal coinage in education'.

Weekly Notes

EXAMINATION RESULTS

Scottish Institute

THE results of the May 1959 examinations of The Institute of Chartered Accountants of Scotland announced recently, show that 102 candidates have qualified for the Institute's Final examination certificate. The Albert J. Watson Prize for the candidate obtaining the highest marks above a certain minimum at each diet of the First Division of the Final examination was won by Mr Glen Charles Docherty, of Glasgow.

The Sir William McLintock Prize, which is in two parts, for the two candidates obtaining the highest and second highest marks above a certain minimum in the Intermediate examination was awarded to Mr Michael Peter Robertson, of Dundee, and Mr William John Reid Brownlie, of Glasgow.

The names of the successful candidates in the Final and Intermediate examinations (Second Division) appear elsewhere in this issue.

Irish Institute

A TOTAL of 202 candidates sat for the examinations of The Institute of Chartered Accountants in Ireland held in May, and of these, 78 (39 per cent) were successful.

There were 72 candidates for the Final, of whom 33 (46 per cent) passed – compared with 36 per cent in November 1958 – and 39 (54 per cent) failed. The First Place and the Arthur H. Muir Memorial Prize were awarded to Mr John Michael Behan, of Tuam, Co. Galway. In the Intermediate examination there were 113 candidates, of whom 42 (37 per cent) passed and 71 (63 per cent) failed. Passes in the November 1958 examinations were 23 per cent. The First Place and the John Mackie Memorial Prize were awarded to Mr Alan Patrick Michael O'Connor Molyneux Molony, B.COMM., of Dublin.

The full list of successful candidates, together with a summary of the results, appears on another page of this issue.

Chartered Municipal Treasurers

IN the examinations of The Institute of Municipal Treasurers and Accountants held last May, a total of 828 candidates sat, of whom 287 (35 per cent) were successful. In Part A of the Final there were 267 candidates of whom 80 (30 per cent) passed, while in Part B there were 199 candidates of whom 84 (42 per cent) were successful. A total of 362 candidates sat for the Intermediate and 123 (34 per cent) passed.

Places and prizes will be awarded on the combined results of these examinations and those to be held next November. The names of the successful candidates in the two parts of the Final examination, together with a summary of the results, appear elsewhere in this issue.

Cost and Works Accountants

A TOTAL of 5,770 students from the United Kingdom and overseas sat for the June 1959 examinations of The Institute of Cost and Works Accountants, and 2,032 were successful. There were 114 candidates for the management accounting Fellowship examination of whom twenty-one passed, completing the examination, one candidate passed Part A only and six candidates passed Part B only; the Lewton Coronation Prize was awarded to Mr Frank Wallace Rowley, of Accra.

A total of 1,780 candidates sat for the whole or part of the Final examination, 314 successfully completed the examination, thirty-nine passed Part A only and 259 passed Part B only; the remaining 1,168 candidates failed. Mr John Frederick Roy Gale, of Welling, Kent, gained the First Place and has been awarded the S. Laurence Gill Prize. The Donald L. Moran Prize (Management – factory and distribution) was won by Mr Peter Rex Hurrell, of Dublin, and the Leverhulme Prize for Cost Accountancy was won by Mr Derek Young, of Cardiff.

In the Intermediate examination there were 3,642 candidates, of whom 268 passed Part I and II, 596 passed Part I and 468 passed Part II; 2,310 candidates failed. The George Russell Memorial Prize was won by Mr David Henry Probert, of Birmingham.

A summary of the results, together with the names of the candidates who were successful in the Fellowship examination and of those who successfully completed the Final, appear elsewhere in this issue.

Radcliffe Committee Report

THE report of the Committee on the Working of the Monetary System, under the chairmanship of Lord Radcliffe, appointed by the Chancellor of the Exchequer in May 1957, was published as this issue went to press on Wednesday. The committee was requested to review the working of the system in present-day conditions, taking particularly into account the great influence exerted upon it by the public finances and the need to maintain a high level of savings and investment; the objective being the achievement of the best possible system of money and credit while observing to the full the United Kingdom's obligations in respect of the exchange rate and in other matters.

The report does not include any summary of conclusions or list of recommendations because the committee felt that to do so would not do justice to its main themes. The final chapter, however, sets out what the committee believes to be the main ideas that emerge from a study of the report. Among these is the view that there is no single objective of policy by which all monetary policy can be conditioned; the various objectives may indeed be in conflict and a balance may have to be struck between them. The responsibility for striking that balance lies with the Government of the day. With the Government also lies the responsibility for the choice of measures – direct controls, fiscal measures or monetary measures – by which the objectives of policy are pursued.

Direct controls and fiscal measures were not regarded by the committee as matters within its terms of reference. In the monetary field, the committee considers that the authorities must seek to work primarily through the structure of interest rates rather than by quantitative limitations. If, however, there should again be imminent danger of headlong inflation, it is recommended that there should be temporary quantitative controls on bank advances and capital issues and restrictions on hire-purchase terms. The committee also recommends the setting up of a standing committee on monetary policy, representative of the Treasury, the Bank of England and the Board of Trade, to which the Chancellor should look for advice.

We shall return to the subject of this 375-page report at greater length in next week's issue.

Building Societies' New Return

As a result of alterations to the formidable Form A.R.11 which building societies have to complete and submit each year to the Registrar of Friendly Societies, more particulars will have to be given of new mortgages and of investments. In the revised return, which becomes effective for all financial years which end after about September 7th, the 'Mortgages Account' must contain analyses of the new mortgages showing the respective numbers and aggregate values of (*a*) those where the advance does not exceed £3,000; and (*b*) those where the advance does exceed £3,000. In each of these divisions the value must be further analysed to show the totals (*a*) in respect of property completed before 1919; and (*b*) in respect of property completed in 1919 and subsequently.

The particulars to be set forth of investments held by societies must differentiate between stocks (*a*) redeemable within five years; (*b*) redeemable after five years; and (*c*) with no fixed date for redemption or redeemable only at the option of the issuer. In the case of quoted stocks (sub-divided into British Government securities, British Government guaranteed securities, Colonial and Dominion securities, Municipal and County securities and other quoted securities), the aggregate nominal, market and book values for each sub-division of each of the three time groups must be given. Unquoted securities (sub-divided into loans to local authorities and other unquoted securities – to be specified) must be similarly grouped as to redemption dates and give the corresponding nominal and book value totals.

We understand that, when revising the form, the Registrar obtained the views of the Building Societies' Association and The Institute of Chartered Accountants in England and Wales on the changes contemplated.

New Town and Country Planning Act

The Town and Country Planning Act, 1959, came into operation last Sunday. The main object of the Act is to provide for the payment of compensation at market value for land bought by public authorities under compulsory powers. Normally under the Act, owners receive the price for their land which they could have expected to get if the land had been offered for sale in the open market. This applies to all land purchased under notices to treat, served after October 29th, 1958.

Under the Act, market value will take into account the development proposed by the acquiring authority and also any other development for which planning permission has been given or could reasonably have been expected if the land had not been bought by a public authority. For example, a local authority buying land for housing will pay the same price that a private builder would pay; a local authority buying land for a school in an area where housing would have been permitted will pay the value of the land for housing. Slum clearance compensation will also be at market value, the normal basis being as before the value of the cleared site. The Act does not alter compensation payable where planning permission is refused.

Additional compensation can be claimed if land is bought for one purpose and is used for a different purpose within a five-year period which makes the land more valuable. The additional compensation is the amount by which the compensation would have been greater if planning permission for the additional development had existed when the land was acquired.

Every application now made for planning permission must be accompanied by a certificate showing either that the applicant is the owner of the land or that he has given the requisite notice of the application. These provisions have been inserted into the Act so that owners and agricultural tenants are aware of proposals to develop their land so as to give them an opportunity of making representations to the planning authority. Other provisions in the Act include provisions for the purchase of 'blighted' properties, provisions for appealing to the Courts on points of law against planning decisions and procedure for making the rules of procedure for inquiries.

Reviews

Management Accounting in Practice

by F. CLIVE DE PAULA, T.D., F.C.A., F.C.W.A. (Sir Isaac Pitman & Sons Ltd, London. 18s net.)

Business Budgets and Accounts

by HAROLD C. EDEY. (Hutchinson & Co (Publishers) Ltd, London. 18s net.)

Financial and Cost Accounting for Management

Second edition by A. H. TAYLOR, M.C., A.A.C.C.A., and H. SHEARING, A.A.C.C.A. (Macdonald & Evans Ltd, London. 25s net.)

The purpose of all three books is to make the accountant, the business man and the student more conversant with the techniques of financial management. Much of Mr de Paula's material has already appeared in article form in this and other journals. Books thus put together are seldom wholly satisfactory and this one demonstrates the rule rather than points the exception. Nevertheless, it is a stimulating publication. The author's approach is naturally that of a practising accountant facing up to some of the problems which arise when a theoretical knowledge of management accounting has to be subjected to the test of cold reality. He ranges eclectically over the theme, beginning with a general chapter (written by his late father) on the development of accounting in industry and ending with a dissertation on mechanized accounting and electronic computers. Between these chapters are sandwiched many useful observations on aspects of budgeting and costing likely to give the accountant in industry, or the accountant advising industrial managements, much thought.

Mr Edey, who is a lecturer on economics, confines himself to showing the relationship which should exist between business budgets and the figures contained in consecutive balance sheets but pleads that, even with this limited theme and with an allowance of only 60,000 words to expound it, selection is inevitable. All progress, said Samuel Butler, is based upon a universal innate desire on the part of every organism to live beyond its income. Mr Edey demonstrates how resources may be measured and expended as economically as possible so that business concerns, even if they wish to conform to the Butler dictum, at least know at exactly what point the pursuit of progress led them 'into the red'.

In contrast to Mr de Paula and Mr Edey, whose writings have a virtuoso quality, Messrs Taylor and Shearing attempt in simple textbook style to cover much more ground. They address themselves both to established managers and to students, but one would have thought that in the process of becoming 'established', most managers would have acquired already the bulk of the information they have to impart. As a guide to students, however, the book is to be commended because of its treatment in breadth of management accounting techniques. Having derived from it all that Messrs Taylor and Shearing have to teach them, the students should then proceed to study, as should also the established managers and others, the more selective aspects of the subject dealt with by Mr de Paula and Mr Edey.

Business Forecasting

The Market Research Society (Incorporated), London, in association with The Oakwood Press, Tandridge Lane, Lingfield, Surrey. 15s net.

The forecasting of business trends has been described, among other things, as an art, not a science. Nevertheless, interest in this field of applied statistics has grown considerably, not least since the Government itself nowadays employs many statisticians in an attempt to maintain economic stability.

This book comprises a series of essays, the majority of which have been written by individuals employed by large organizations to assess the trend of business. Firms such as Unilever, Joseph Lucas and the Metal Box Company are represented, together with the Tobacco Manufacturers' Standing Committee and the British Travel and Holidays Association. There is in consequence a wide range of subjects and the various papers, although brief, are interesting and stimulating.

The more specialized papers are preceded by two rather longer essays. The first is an outline of the official statistics available to economists and business forecasters indicating ways in which they can be utilized. The second concerns the use of econometric methods in this field and the author of this paper wisely does not claim too much for this technique. In other words, business forecasting may still be an art, but the amount of scientific thinking on the subject is growing.

The Market Research Society is to be congratulated in making these papers available to a wider audience.

The British Budgetary System

by SIR HERBERT BRITTAIN, K.C.B., K.B.E. (George Allen & Unwin Ltd, London. 25s net.)

This book has deservedly won great praise both for the lucidity of its language and for the objectivity of its treatment of a most difficult theme. The Budget has never been, as some earlier critics of it alleged, a mere exercise in arithmetic. Its character and functions, however, have steadily become more complicated until it has now emerged as a vital instrument which measures and assists in controlling the economic well-being of the country. To describe just how it works is the formidable task which Sir Herbert Brittain undertakes and how well he does it

can only be fully appreciated after a study of his carefully worded and scrupulously documented account.

After an introductory historical note, he sets the scene with chapters on the timing and Parliamentary setting of the Budget and an account of its economic background. He then goes on to describe it, first in general outline and then in considerable detail. The significance of above- and below-the-line is fully explained as are also the methods of financing the Exchequer, the ramifications of the National Debt and the various stages by which Parliament provides and controls supply expenditure. Finally, the book ends with two chapters of especial interest to accountants on the methods of accounting for and auditing the Treasury's transactions.

In a brief epilogue, Sir Herbert draws attention to two outstanding features of the country's fiscal system. The first is the acknowledged supremacy of Parliament in all financial matters at all times. The second is that this control, complete though it is, has never interfered with the flexibility of the Budget as a means of encouraging or counteracting economic trends as required. Sir Herbert has had a long and distinguished career in the Treasury and although this training and experience no doubt helped him there is no undue suggestions of expertise or esoteric knowledge in his narrative. His interpretation should be of value to all students of financial administration on the grand scale as practised by Governments.

Lectures on Economic Principles
Volume III

by Sir Dennis H. Robertson. (Staples Press Ltd, London. 16s net.)

This is the third and final volume of the series of lectures delivered to economics students at Cambridge during Sir Dennis's tenure of the Chair of Political Economy. It is also the most important, for while there are economic theorists of equal, and possibly greater, distinction than Sir Dennis, his contribution to the field of monetary theory and industrial fluctuations is second to none. It is therefore particularly satisfactory that rather more essays in this volume are suitable for the general reader than was the case in the previous volumes. Of especial interest to the latter reader are the four lectures in which Sir Dennis expounds in simple language what the modern economist thinks he knows about the trade cycle, as well as a supplementary lecture delivered to a joint meeting of the International Monetary Fund and the International Bank during the 1957 meeting at Washington.

It is utterly refreshing to read an economist who is not convinced that by expressing quite simple notions in an incomprehensible mumbo-jumbo of long words and algebraic symbols, the same ideas are elevated to the status of fundamental truths. The publishers deserve our thanks for making these lectures available to students and others at so reasonable a price.

Financial Problems of the Family Company

by A. R. English, A.C.A. (Sweet & Maxwell Ltd, London. 21s net.)

The author's twenty years' experience with a leading firm of accountants and ten years with one of the most important suppliers of capital, not to mention the name he has made for himself as a lecturer on the subject, make this book a most desirable addition to any library on finance. Anyone connected with a private company which is seeking outside finance will find it a mine of useful information and sound practical advice, much of it unobtainable in print elsewhere.

The institutional investor is becoming more and more, and the private investor correspondingly less and less, important; while at the same time the growth of inflation and heavy taxation has made it progressively more difficult to finance expansion out of ploughed-back profits. The book sets out very clearly what the institutional investor looks for and requires when approached for finance. At the same time it indicates what tax advantages can be reaped, or disadvantages avoided, when outside finance is obtained.

The author is to be congratulated on his pioneer work in the field of turning a Section 55 share valuation to advantage in the light of the reliefs given by the 1954 Finance Act.

The Elements of Modern Industrial Organization

by F. J. Wright, M.SC.(ECON)., A.M.B.I.M. (Macdonald & Evans Ltd, London. 18s net.)

Readers of the correspondence columns of *The Times* will have noted that the old question of whether students can be taught business and industrial methods, or whether the office and workshop floor are the only school, has been revived, if indeed it has ever died. There is unquestionably a very wide gulf between the American approach and that in the United Kingdom on this matter, and one of the major advantages that the former enjoy is an excellent series of textbooks covering all aspects of business and production techniques and problems, which can bring home to the classroom student the real nature of the business man's world.

In Britain textbooks tend to be restricted to the straightforward imparting of factual knowledge; for example, the legal status of a company, the functions of management, job processing and so forth. Typical of this approach is this book by Mr Wright who is a lecturer in a commercial college and has the needs of his students clearly in mind. It is well illustrated by practical examples; for example, the organization of public industries and limited liability companies is well brought out. The layout of factories is discussed in principle and a good illustration is taken from a boot and shoe factory. There are chapters on financial control, distribution and the design of a new product, together with a longer chapter on human relations in

industry which sets out the various organizations dealing with management-labour relations.

The book concludes with a collection of questions set in various professional examinations such as the I.C.W.A., I.Mech.E., on this subject. As a teacher, Mr Wright knows what the student needs and as an introductory textbook his little study should be welcomed. This is the sort of book that the articled clerk should read in his second year when he begins to feel that he knows something about business and industry.

Who Owns Whom

Volume 1 – Subsidiaries and associates showing parent companies, 4 gns. post free.

Volume 2 – Parent companies showing subsidiaries, 3 gns. post free.

Volumes 1 and 2 together, 6 gns. post free.

(O. W. Roskill & Co (Reports) Ltd., 14 Great College Street, London, SW1.)

The first edition of volume 1 of this work, published a year ago, had soft covers and ran to just over 200 pages. The 1959 edition, at the same price, has hard covers and extends to nearly 250 pages. About 15,000 subsidiary and associated companies are listed as compared with 12,000 in the first edition. As British industry and commerce, flourishing though they are, cannot have expanded so rapidly in the course of one year, one must conclude that the publishers, having found this new venture acceptable to the commercial community, are making every effort to consolidate their success by improving on the original. As a further step towards this end, they will have available very shortly a companion second volume which lists alphabetically parent companies with their associates and subsidiaries inset and which should prove an admirable counterpart to the first.

It may not be very long before business executives in many spheres begin to wonder how they managed before this useful directory was in existence to tell them who owns whom. It would certainly have saved the absent-minded tycoon in the recent cartoon who committed the indiscretion of making a 'take-over bid' for a company he already controlled!

Document Copying and Reproduction Processes

by H. R. Verry, F.I.B.P., A.R.P.S. (Fountain Press, London. 52*s* 6*d* net.)

At the outset, Mr Verry lists the important factors which have to be considered when deciding what means of document copying to employ. These are: (*a*) the cost; (*b*) the number of copies required; (*c*) quality; (*d*) durability; (*e*) the size of copy; (*f*) the type and condition of the original; (*g*) colour; and (*h*) the urgency of the work. He next explains the various media available, starting with the familiar carbon paper method and then, successively, photo-copying techniques, duplicating machines, addressing machines, plan-copying processes and microfilm. In a final section, he elaborates on such general matters as comparative costs, the office organization required for handling copying work, colour reproduction, the collation, stitching and binding of copies made and the apparatus required therefor and the storage of master copies and of materials. The appendices comprise an illustrated section on machines and accessories, a classified index of suppliers, a biblio-graphy and a glossary of reproduction terms.

To catalogue the contents of this remarkable book may convey an adequate impression of its wide range, but to appreciate the thoroughness of the author's treatment, the chapters have to be studied individually. Mr Verry has the uncommon ability of writing about technical matters and, at the same time, remaining wholly intelligible. His main audience on this occasion will be presumably the accountants and office managers of large corporations where speedy availability of documents in substantial quantities is essential to good communications. Every practising accountant, however, whether with his own office administration or the systems of his clients in mind, will find much to interest and attract him, for document copying and reproduction is a study which is becoming increasingly significant in a period when skilled labour is scarce and salary costs are constantly rising.

RECENT PUBLICATIONS

Illustrations of Management Accounts in Practice, by A. G. B. Burney, O.B.E., B.A., F.C.A. 126 pp. 9×6. 30*s* net (inland postage 9*d* extra). Gee & Co (Publishers) Ltd, London.

The Law of Contracts in a Nutshell, by Alan Garfitt, LL.B.(LOND.), Barrister-at-Law. xii+113 pp. 7½×4½. Laminated covers. Nutshell Series. 7*s* 6*d* net. Sweet & Maxwell Ltd, London.

Covenants, Settlements and Taxation, second edition, by G. B. Graham, LL.B., Barrister-at-Law. 71 pp. 8½×5½. Card covers. Oyez Practice Notes No. 35. 10*s* 6*d* net. Solicitors' Law Stationery Society Ltd, London.

Trust Accounts, second edition, by Peter M. B. Rowland, M.A., LL.B., Barrister-at-Law. 356 pp. 9×6. 40*s* net. (postage 1*s* 9*d* extra). Butterworth & Co (Publishers) Ltd, London.

Income Taxes in the Commonwealth, Parts I and II (Commonwealth countries in the continents of Africa and America), compiled by direction of the Board of Inland Revenue. In four-post binder. 918 pp. 10½×8. 75*s* net; 77*s* post free. Her Majesty's Stationery Office, London.

New Developments in Training. Five Studies in the Efficient Communication of Skills, edited by Frank A. Heller, B.SC.(ECON.). 80 pp. 8½×5½. Card covers. 5*s* net. No. 3, New Development Series. Department of Management Studies, The Polytechnic, Regent Street, London, W1.

Office Staff – Selection, Supervision, Training, by Elizabeth M. Pepperell. xii+51 pp. 10×7½. Card covers. 7*s* 6*d* net. Industrial Welfare Society, Robert Hyde House, 48 Bryanston Square, London, W1.

The Accountant in Public Practice, by K. L. Milne, F.C.A.(AUST.), with foreword by D. V. House, F.C.A. xx+267 pp. 9×5½. 25*s* net. Postage 1*s* 10*d* extra. Butterworth & Co (Publishers) Ltd, London.

The Theory of Public Finance, A Study in Public Economy, by Richard A. Musgrave. xvii+628 pp. 9½×6. 97*s* net. McGraw-Hill Publishing Co Ltd, London.

Finance and Commerce

New Form

INITIAL Services Ltd, the company which pioneered the clean towel hire service, has adopted a new form for its published accounts this year. In his statement, Mr A. A. Ireland, the chairman, expresses the hope that it will be welcomed by shareholders and that it will enable the results and financial position of the group to be more clearly understood.

The form used shows the 'Funds employed', comprising capital, reserves, unappropriated profits and 'A' Share Dividend Account, totalling £3,364,829 in the consolidation, to which is added outside interests and provision for future tax, bringing the gross to £4,021,327.

Under 'Employment of Funds' there is, of course, current assets less the current liabilities, to which are added fixed assets, a small non-consolidated subsidiary interest and £652,300 for goodwill. Current assets and liabilities are given in full; fixed assets are in one figure with the detail in the separate note.

On current year prospects, Mr Ireland points out that it is difficult to venture a forecast so early in the period. But there is no doubt that the clean towel service for business houses has changed its nature in recent years. The company's continuous towel cabinet service, he says, has meant not only a high initial capital outlay but also a substantial charge against profits of the year in which the expenditure occurs and in the immediately succeeding years. And from the profit angle, there is the gap between the spending and the return from it.

The fixed asset detail of the group shows 'Cost or Valuation' up from £2,764,813 to £2,959,345, depreciation £1,213,319 against £1,109,948, leaving book value at £1,746,026 against £1,654,865.

Explanation

THE simpler facts of the trading scene which accountants meet daily in practice but which may not be so well understood by shareholders are given by Brigadier S. K. Thorburn, chairman of Edmunds Walker & Co Ltd, the wholesale distributors of motor components. To him it has been a rather disappointing year. The company's profit and loss account shows £212,392 against £244,852; the dividend being maintained at 20 per cent.

Turnover increased substantially without, however, being reflected in profits, in regard to which the chairman comments that in former years there was an approximate increase of 5 per cent in stock values which had to be taken into profit and loss account. This year, for the first time, there was no increase and the effect has been to put profit on a much more realistic basis. This, of course, is a far healthier situation, with the accounts reflecting the real profit earned by actual trading.

In past years, continues Brigadier Thorburn, when they had a paper profit on stocks, they had to pay tax on it and when they had to replace the stocks sold, the cash position necessarily deteriorated. Another reason for this year's reduced profit position is that the costs of distributing and selling the company's goods have risen.

Over Their Heads?

IT is no doubt difficult at times for company statements and reviews to avoid language which is 'over the heads' of many shareholders. There is, of course, no standard level of shareholder-intelligence, any more than there is in any other collective group, and it is appreciated that even in addressing those who may be fairly well versed in the intricacies of business and of final accounting, it must be something of a problem to present, within the comparatively few words of a chairman's statement, a balanced and unequivocal view. But this is no excuse for obscure terms or 'difficult' phraseology.

What, for instance, does a shareholder make of a 'differential percentage profit on actual yield', in the statement of the chairman of The Union Steel & Manufacturing Co Ltd. After a paragraph dealing with profits and taxation, we read:

> 'Another consideration which must not escape notice is that over a period we have received no advantageous direction on selling prices. Some past adjustments have been of small benefit except in appreciation. These minor advantages received have in fact caused reduction in our differential percentage profit on actual yield. This has been at a rate of 1 per cent plus per year over a three-year period.'

Mode of Expression

We all have our individual modes of expression. It is one of the things that adds spice to good conversation. The following presents a style which is, to say the least, interesting.

> 'That no consideration is lost I would at the commencement refer you to statements made in my last report. Relevant to the year that we now review there was anticipation of conditions that now lay before us, and these were emphasized in no minor form. The year as commenced held difficulties already at that date which could not be ignored, and that a hard struggle was envisaged even to maintain a standard level. With all this in view it was not possible it was credited that demands relative to our field of products would so lessen in the general deterioration that ensued.'

Evidently, the year under review has presented Union Steel with greater difficulties than expected; the profit and loss account, in fact, shows trading profit down from £85,920 to £67,675. Thus the difficulties for shareholders in this company do not only lie in fathoming such terms as 'differential percentage profit on actual yield'.

INITIAL SERVICES LIMITED

BALANCE SHEET at 31st MARCH, 1959

	£	£	1958 £
Funds Employed			
ISSUED CAPITAL (Note 1)		1,943,297	*1,943,297*
SHARE PREMIUM ACCOUNT		123,847	*123,847*
REVENUE RESERVE AND UNAPPROPRIATED PROFITS (Note 2)		853,927	*618,670*
"A" SHARE DIVIDEND ACCOUNT (Note 3)		25,562	*23,082*
		2,946,633	*2,708,896*
AMOUNT SET ASIDE FOR FUTURE INCOME TAX		248,000	*275,000*
		£3,194,633	*£2,983,896*
Employment of Funds			
CURRENT ASSETS			
Stock and Equipment, including Stock in Circulation, as valued by the Company's Officials	857,027		*731,453*
Debtors and Prepayments *less* Provision	326,616		*293,125*
Loans to Employees of the Group for the purchase of Shares in the Company	—		*392*
Tax Reserve Certificates	500,000		*502,750*
Balances with Bankers and Cash in Hand	209,633		*253,947*
		1,893,276	*1,781,667*
CURRENT LIABILITIES			
Creditors and Accrued Charges	126,147		*114,076*
Taxation	100,512		*215,814*
Preference Dividend declared payable 1st April, 1959	9,200		*9,200*
Proposed Final Ordinary Dividend (net)	183,598		*150,812*
Proposed Dividend on "A" Non-Voting Shares (net)	40,922		*25,611*
		460,379	*515,513*
CURRENT ASSETS *less* CURRENT LIABILITIES		1,432,897	*1,266,154*
FIXED ASSETS (Freeholds, Leaseholds, Plant and Vehicles) (Note 4)		463,721	*434,660*
INTERESTS IN SUBSIDIARY COMPANIES (Note 5)		1,138,015	*1,123,082*
GOODWILL (Note 6)		160,000	*160,000*
		£3,194,633	*£2,983,896*

A. A. IRELAND }
E. J. HOPKINS } Directors.

The notes on pages [100 and 101] form a part of the Accounts

INITIAL SERVICES LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET at 31st MARCH, 1959

	£	£	1958 £
Funds Employed			
ISSUED SHARE CAPITAL OF INITIAL SERVICES LIMITED (Note 1)		1,943,297	*1,943,297*
SHARE PREMIUM ACCOUNT		123,847	*123,847*
REVENUE RESERVES AND UNAPPROPRIATED PROFITS (Note 2)		1,272,123	*1,011,081*
"A" SHARE DIVIDEND ACCOUNT (Note 3)		25,562	*23,082*
		3,364,829	*3,101,307*
INTERESTS OF OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES		2,284	*2,233*
AMOUNT SET ASIDE FOR FUTURE INCOME TAX		470,514	*518,239*
DEBENTURES		183,700	*183,700*
		£4,021,327	*£3,805,479*
Employment of Funds			
CURRENT ASSETS			
Stock and Equipment, including Stock in Circulation, as valued by the Companies' Officials	1,049,314		*931,832*
Debtors and Prepayments *less* Provision	463,323		*447,077*
Loans to Employees of the Group for the purchase of Shares in the Company	—		*392*
British Government and other Quoted Securities (Market Value £1,647)	1,445		*1,445*
Tax Reserve Certificates	500,000		*502,750*
Balances with Bankers and Cash in Hand	328,726		*388,321*
		2,342,808	*2,271,817*
CURRENT LIABILITIES			
Bank Overdrafts	—		*23,125*
Creditors and Accrued Charges	312,186		*315,279*
Taxation	175,106		*242,511*
Preference Dividend declared payable 1st April, 1959	9,200		*9,200*
Proposed Final Ordinary Dividend (net)	183,598		*150,812*
Proposed Dividend on "A" Non-Voting Shares (net)	40,922		*25,611*
		721,012	*766,538*
CURRENT ASSETS *less* CURRENT LIABILITIES		1,621,796	*1,505,279*
FIXED ASSETS (Freeholds, Leaseholds, Plant and Vehicles) (Note 4)		1,746,026	*1,654,865*
INTEREST IN SUBSIDIARY COMPANY NOT CONSOLIDATED (Note 7)		1,205	*751*
GOODWILL (Note 6)		652,300	*644,584*
		£4,021,327	*£3,805,479*

A. A. IRELAND }
A. J. HOPKINS } Directors

The notes on pages [100 and 101] form a part of the Accounts.

INITIAL SERVICES LIMITED and SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the YEAR ENDED 31st MARCH, 1959

	£	£	*1958* £
GROUP PROFIT FOR THE YEAR (Note 8)		1,136,226	*1,119,660*
INTEREST RECEIVED		7,345	*31,349*
		1,143,571	*1,151,009*
TAXATION (Note 9)		546,151	*640,802*
GROUP PROFIT FOR THE YEAR AFTER TAXATION		597,420	*510,207*
INTERESTS OF OUTSIDE SHAREHOLDERS		663	*487*
GROUP PROFIT FOR THE YEAR AFTER TAXATION attributable to the Members of Initial Services Limited (of which £566,836 *1958 £465,046* has been dealt with in the Accounts of Initial Services Limited)		£596,757	*£509,720*
DEALT WITH AS FOLLOWS			
NET DIVIDENDS			
On Preference Shares	18,400		*18,400*
On Ordinary Shares—			
Interim 10 per cent.	86,179		*86,179*
Final (Proposed) 20 per cent.	183,598		*150,812*
ON "A" Non-Voting Shares (Proposed) 150 per cent.	40,922		*25,611*
		329,099	*281,002*
RETAINED IN THE BUSINESS (Notes 2 and 3)			
By Initial Services Limited			
Increase in Revenue Reserve	200,000		*170,000*
Increase in Unappropriated Profits carried forward	35,257		*2,481*
	235,257		*172,481*
Increase in "A" Share Dividend Account	2,480		*11,563*
	237,737		*184,044*
By Subsidiary Companies			
Increase in Revenue Reserves	14,303		*34,437*
Increase in Unappropriated Profits carried forward	15,618		*10,237*
	29,921		*44,674*
		267,658	*228,718*
		£596,757	*£509,720*

The notes on pages [100 and 101] form a part of the Accounts.

NOTES ON ACCOUNTS

1. SHARE CAPITAL OF INITIAL SERVICES LIMITED

		Authorised £	Issued and fully paid £
8 per cent. Cumulative Preference Shares of £1 each		400,000	400,000
Ordinary Shares of 5/- each		2,000,000	1,498,755
"A" Non-Voting Shares of 1/- each		50,000	44,542
		£2,450,000	£1,943,297
	1958	*£2,450,000*	*£1,943,297*

2. REVENUE RESERVES AND UNAPPROPRIATED PROFITS

	Revenue Reserves £	Un-appropriated Profits £	Total £
INITIAL SERVICES LIMITED			
Balances at 1st April, 1958	570,000	48,670	618,670
Retained from the profits of the year	200,000	35,257	235,257
Balances at 31st March, 1959	£770,000	£83,927	£853,927
SUBSIDIARY COMPANIES			
Balances at 1st April, 1958 (after deducting £4,136 capitalised by a Subsidiary Company)	311,747	76,528	388,275
Retained from the profits of the year	14,303	15,618	29,921
Balances at 31st March, 1959	£326,050	£92,146	£418,196
GROUP TOTAL at 31st March, 1959 (including £26,585 retained by Overseas Subsidiary Companies)			£1,272,123

3. "A" SHARE DIVIDEND ACCOUNT

	£	1959 £	*1958* £
The gross amount credited to the "A" Share Dividend Account was		84,688	*90,277*
From which has been deducted			
Income Tax	32,817		*38,368*
Profits Tax	8,469		*14,735*
Proposed Dividend (net)	40,922		*25,611*
		82,208	*78,714*
		2,480	*11,563*
Balance on this Account at 31st March, 1958		23,082	*11,519*
Leaving to be carried forward		£25,562	*£23,082*

4. FIXED ASSETS

	1959 Cost £	1959 Depreciation £	1959 Book Value £	*1958 Cost* £	*1958 Depreciation* £	*1958 Book Value* £
INITIAL SERVICES LIMITED						
Freehold Property	341,001	71,011	269,990	*319,933*	*64,938*	*254,995*
Leasehold Property	168,356	37,689	130,667	*151,798*	*35,736*	*116,062*
Plant and Machinery	21,504	13,106	8,398	*18,293*	*11,754*	*6,539*
Furniture, Fixtures and Fittings	48,939	26,868	22,071	*46,632*	*24,415*	*22,217*
Vehicles	242,301	209,706	32,595	*237,629*	*202,782*	*34,847*
	£822,101	£358,380	£463,721	*£774,285*	*£339,625*	*£434,660*

NOTES ON ACCOUNTS
(continued)

	1959 Cost or Valuation	1959 Depreciation	1959 Book Value	1958 Cost or Valuation	1958 Depreciation	1958 Book Value
	£	£	£	£	£	£
GROUP						
Freehold Property	951,732	147,946	803,786	928,476	130,870	797,606
Leasehold Property	211,304	43,659	167,645	190,808	40,572	150,236
Plant and Machinery	1,318,058	638,153	679,905	1,172,428	561,236	611,192
Furniture, Fixtures and Fittings	82,981	50,274	32,707	78,167	45,505	32,662
Vehicles	395,270	333,287	61,983	394,934	331,765	63,169
	£2,959,345	£1,213,319	£1,746,026	£2,764,813	£1,109,948	£1,654,865

5. INTERESTS IN SUBSIDIARY COMPANIES

	1959 £	1958 £
Shareholdings at cost *less* amounts written off	1,047,416	1,040,473
Debentures at cost	18,746	18,746
Amounts owing by Subsidiary Companies	188,604	181,260
	1,254,766	1,240,479
Less Amounts owing to Subsidiary Companies	116,751	117,397
	£1,138,015	£1,123,082

6. GOODWILL

	1959 £	1958 £
Initial Services Limited at cost *less* amounts written off	160,000	160,000
Excess of cost of investments in Subsidiary Companies over net tangible assets at dates of acquisition *less* amounts written off	492,300	484,584
	£652,300	£644,584

7. INTEREST IN SUBSIDIARY COMPANY NOT CONSOLIDATED

	1959 £	1958 £
Shareholding at cost	100	100
Amount owing by Subsidiary Company	1,105	651
	£1,205	£751

The Accounts of this non-trading Subsidiary Company have not been consolidated because the Directors are of the opinion that it would be of no real value to the members of Initial Services Limited.

NOTES ON ACCOUNTS
(continued)

8. GROUP PROFIT

	1959 £	1959 £	1958 £	1958 £
The Group profit is arrived at after taking into account the following items				
Depreciation		163,729		159,181
Audit Fees				
Initial Services Limited	2,079		2,079	
Subsidiary Companies	3,534	5,613	3,440	5,519
Debenture Interest		11,022		11,022
Emoluments of Directors of Initial Services Limited				
Fees	2,575		2,575	
Management Remuneration	36,026		35,707	
Pension	1,500	40,101	1,500	39,782
		£220,465		£215,504

9. TAXATION

	1959 £	1958 £
The charge for taxation based on the profits of the year is		
Income Tax	428,939	486,533
Profits Tax	113,948	164,543
Dominion and Foreign Taxation	12,978	8,161
	555,865	659,237
Less Provision for taxation for previous years no longer required	9,714	18,435
	£546,151	£640,802

10. COMMITMENTS FOR CAPITAL EXPENDITURE

	1959 £	1958 £
Estimated commitments for capital expenditure are		
Initial Services Limited	31,222	15,636
Subsidiary Companies	42,631	30,899
	£73,853	£46,535

11. FOREIGN SUBSIDIARY COMPANIES

The assets and liabilities of the overseas subsidiary companies have been converted at the rates of exchange ruling at the date of the Balance Sheet.

12. WAR DAMAGE

No adjustment of the book value of certain fixed assets has been made for damage by enemy action, the amount of which is covered by claims submitted.

CITY NOTES

THE stock-markets continue to reflect a marked degree of public investment confidence. Wall Street's uncertain tone has made little impression on London sentiment.

For the City's domestic interest the Radcliffe Committee's report on the monetary system has naturally aroused very considerable discussion and there has been wide approval of the Committee's unanimity on the general findings and of the fact that many of the recommendations made are in line with City thinking. These particularly include the committee's points on the announcement of the results of Government new issues, on local authority financing, on the operation of the Exports Credits Guarantee Department, and on capital issues control.

Another domestic matter causing City discussion now is the question of 'dud' cheques in new issues. In the recent 'boom' conditions in the new issue market, the dishonest practice of proffering worthless cheques with new issue applications, in the hope that they will not be cleared until shares have been allotted and sold, has become so prevalent as to prompt the Issuing Houses Association to investigate the problem.

Immediate presentation of cheques for payment on receipt would clearly solve the problem although it would allow issuing houses the free use of new issue application money during the new issue and allotment period. Some issuing houses already follow this policy and are sometimes criticized for it.

It may be significant of 'official' thought on the matter that an issue of property shares made this week was accompanied by an announcement from the issuing house concerned that application cheques would be immediately presented for payment.

RATES AND PRICES

Closing prices, Wednesday, August 19th, 1959

Tax Reserve Certificates: interest rate (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

June 12	£3 9*s* 0·02*d*%	July 17	£3 9*s* 0·16*d*%
June 19	£3 9*s* 0·40*d*%	July 24	£3 9*s* 0·13*d*%
June 26	£3 9*s* 0·52*d*%	Aug. 3	£3 9*s* 8·19*d*%
July 3	£3 9*s* 0·06*d*%	Aug. 7	£3 9*s* 7·97*d*%
July 10	£3 9*s* 0·22*d*%	Aug. 14	£3 9*s* 8·13*d*%

Money Rates

Day to day	2–2⅞%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80⅞–15/16	Frankfurt	11·75 5/16–7/16
Montreal	2·67⅛–⅜	Milan	1743–¼
Amsterdam	10·61¾–⅞	Oslo	20·01–¼
Brussels	140·34–·35	Paris	13·77⅛–⅜
Copenhagen	19·36 5/16–7/16	Zürich	12·11¾–⅞

Gilt-edged

Consols 2½%	53⅛	Funding 4% 60–90	91 9/16
Consols 4%	74 9/16	Savings 2½% 64–67	84⅞
War Loan 3½%	66⅞	Savings 3% 55–65	90 15/16
Conversion 3½%	67¼	Savings 3% 60–70	82¼
Conversion 3½% 1969	88½	Savings 3% 65–75	77
Exch'qu'r 5½% 1966	103	Treasury 2½%	49 15/16
Funding 3% 66–68	85⅜	Treasury 3½% 77–80	79 7/16
Funding 3% 59–69	85½	Treasury 3½% 79–81	78⅜
Funding 3½% 99–04	73	Victory 4%	95¾

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Stock Verification in South Africa

SIR, – Many of our profession in South Africa will have read with interest the article headed as above written by Mr Frederick G. Beard which appeared in your issue of May 30th, 1959.

No data has been collected by any professional body in South Africa from its members which would enable a precise assessment of the procedures for verification of stocks followed generally by auditors in South Africa. Neither has the profession here as yet issued any code of audit procedure or similar publication, though moves towards this have already been made.

Mr Beard refers to '. . . the fact that auditors do not verify stocks and that profits declared depend upon the valuation placed on these stocks by the directors'. I am unaware on what information Mr Beard's assertion is based. The view of members of the Joint Council which is shared by a number of other members of our profession in the Union known to us is contrary to that of Mr Beard. Our view is based on our experience and on exchanges of professional views between chartered accountants (South Africa) over a period of years. We believe that many members of the profession in South Africa apply critical and penetrating minds in an endeavour to satisfy themselves, so far as is practicable, that amounts at which stocks appear in audited balance sheets are true and fair. This critical review would involve at least a test of the arithmetical accuracy of the figures making up the item of stock, a test of stock records and tests with appropriate data in regard to costs, replacement values and obsolescence factors. It is well known that in South Africa many auditors now go further and there is an ever-increasing tendency for them to concern themselves in some detail with the methods and procedures

followed by their clients at annual or periodical stocktakings. Moreover a number of auditors known to us include in their standard audit procedures a test physical count of stock. The latter procedure has been followed for many years in the audits of most if not all of the numerous concerns in South Africa with a background in the United States of America and its extension to other concerns has been but a logical development.

In fairness to its author it is appropriate to point out that the very brief extract from a paper submitted by one of our colleagues to the first Congress of Chartered Accountants (South Africa) in 1955, which is quoted in Mr Beard's article, related not to audit procedures but to presentation of accounts. The statement of which the quotation forms a part was amplified by its author during discussion at the congress for, as was to be expected, it was not accepted by a number of us who were present.

Should the Committee of The Johannesburg Stock Exchange and later, Parliament, decide to follow Mr Beard's suggestion that auditors be compelled by law to verify, presumably by the methods on which I have touched, including test physical counts, the existence of stocks owned by companies the shares of which are listed on that Exchange, the profession in South Africa would I believe be confronted with no material difficulties and in fact a number of practitioners would not find it necessary to extend their existing auditing procedures.

The foregoing is written with the approval of a majority of the members of my Council.

Yours faithfully,
N. ROSS LAKE,
Chairman,
JOINT COUNCIL OF THE SOCIETIES OF CHARTERED ACCOUNTANTS OF SOUTH AFRICA.
Johannesburg.

Valuing Work in Progress

SIR, – Your leading article in your issue of August 8th raises a point of considerable importance to the smaller firms. The number of them who would be glad to have monthly accounts has been increasing steadily over the past few years, but the greatest obstacle to this valuable asset to the general management of a company lies in the difficulty of finding the closing stock value each month.

Many of these smaller firms have very limited paper systems, and hesitate to face the installation of the paper work necessary to obtain an accurate valuation each month of their raw material, work in progress, and finished goods stocks, and so far little help has been offered to them in the way of empirical methods.

This problem arose when the original edition of *Higher Control* was being written in 1933, and the suggestion then offered, after a good deal of consultation with accountants, was that a closing-stock approximate figure of accuracy could be found each month by multiplying the cumulative figure of invoices issued by the factory cost percentage shown, by the final audited profit and loss account of the previous year.

In those days material and labour costs were fairly stable, and the method worked reasonably well. But with the wide fluctuations of costs since the war, the procedure has proved to be definitely misleading. Can any of your readers suggest a formula which will give closer accuracy?

Yours faithfully,
London, NW8. T. G. ROSE.

Schedule A

SIR, – This tax has no basis in either equity or logic, but Mr W. C. Laughland (July 25th issue) seeks to confound confusion.

Home-ownership does not invariably involve mortgage interest, and it is therefore neither logical nor equitable to penalize all home owners to recoup tax allowances made to some of them.

All capital invested in property could obviously have been invested in securities instead, and Mr Laughland's argument, if accepted by the Revenue, would import a most dangerous principle into the other schedules. Additional assessments would 'logically' follow on all investment income, since the relative capital could have been invested in higher yielding securities. Business losses would cease to be allowable, since had the business capital been invested in securities no loss would have occurred. Once the principle of what the assessee *could* have done with his capital is accepted there is an end to all logic.

The only method of importing logic and/or equity into Schedule A is to scrap it. Should the Revenue ever so far depart from established practice as to consider either, they have only to institute a personal rent allowance. Tax lost on the diversion of investment capital to house property would then automatically be recouped by surrender of the rent allowance.

Yours faithfully,
Madras, India. R. G. N. PRICE.

On Seeking Advice

SIR, – Printed in red, the following appears in a recently received 'letter to shareholders' in connection with a 'take-over' bid:

> 'If you are in doubt as to the action to be taken you are advised to consult your Solicitor, Banker or Stockbroker immediately. If you have sold all your Ordinary Stock of Harrods Limited you should at once hand this letter and the accompanying Form of Acceptance and Transfer to your Banker or Stockbroker through whom the sale was effected, for transmission to the purchaser.'

Are not accountants qualified to advise on such matters?

Yours faithfully,
SHAREHOLDER.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Race-course Betting Control Board *v.* Young

In the House of Lords – July 29th, 1959
(Before Lord SIMONDS, Lord REID, Lord TUCKER, Lord RADCLIFFE and Lord KEITH OF AVONHOLM)

Income tax – Trade – Running of totalisators at race-courses – Deduction of expenses – Application of balance under approved scheme – Whether payments thereout allowable deductions – Improvement of race-courses – Whether capital expenditure – Race-course Betting Act, 1928, Sections 1, 2 and 3 – Betting and Lotteries Act, 1934, Section 18 (5) – Income Tax Act, 1952, Section 137 (2) (f).

The appellant Board was established by statute to legalize the use of totalisators on race-courses which it approved. The whole of the stake money has to be distributed among the winners subject to the deduction of such percentage as the Board may from time to time determine. This percentage is paid into a totalisator fund; and the Board is bound to apply the fund, after deducting all taxes, rates, charges and working expenses, in accordance with a scheme approved by the Secretary of State, 'for purposes conducive to the improvement of breeds of horses or the sport of horse-racing' and 'for purposes conducive to the advancement and encouragement of veterinary science and education'.

In each of the years under appeal the amount paid into the totalisators was about £25 million, and the payments to winners were between £22 million and £23 million. After meeting expenses the balance was in excess of £500,000. Under the approved scheme, about half of each balance was paid into a fund called the race-course fund, which was divided among the approved race-courses and was expended, subject to the approval of the Board, in improvements to the race-courses themselves. This money was also used for the purpose of augmenting the prize-money, so as to attract more entries. The other half of each balance was spent in making travelling allowances to owners and trainers, runners' allowances to owners whose horses ran in races, and in aid of the administrative expenses of the Jockey Club, the National Hunt Committee, the Race Finish Recording Camera, and for the benefit of point-to-point meetings and meetings run by the Pony Turf Club.

It was contended on behalf of the Board that sums spent out of the yearly balances for the purposes mentioned were allowable expenses of carrying on the Board's activities, which were in the nature of trade. It was contended on behalf of the respondent that expenditure out of the balances was not expenditure in meeting the expenses of the Board; and that some of the items of expenditure were expenditure of capital. The Special Commissioners decided that payments out of the balances were payments to meet the trade expenses of the Board; but that the items of expenditure, which were claimed by the Inland Revenue to be capital items, were in fact of that nature.

Held: (affirming the judgment of the Court of Appeal) that payments out of the yearly balances were not payments of expenses of conducting the Board's trade, but were applications of profits of the trade.

Mitchell and Edon *v.* Ross

In the High Court of Justice (Chancery Division)
July 21st, 1959
(Before Mr Justice UPJOHN)

Income tax – Part-time specialist under National Health Service – Whether holding an office or employment – Whether exercising profession – Expenses of domiciliary visits to National Health patients – Expenses of locum tenens – Expenses incurred in lecturing – Domiciliary work in other areas – Whether expenses assessable under Schedule E – Whether expenses liable under Schedule D – Income Tax Act, 1918, Section 1, Schedule E, Rule VI – Finance Act, 1922, Section 18 – National Health Service Act, 1946, Section 3 – Income Tax Act, 1952, Schedule D, paragraph 1 (Section 122), Schedule E, paragraphs 1, 2, (Section 156).

The respondent held a part-time appointment under the National Health Service Act, 1946, as a consultant radiologist to the Birmingham Regional Hospital Board, and he also had private patients. In the second case heard with this case the respondent was a part-time consultant ophthalmologist to the Board, and he also undertook lecturing work to nurses. In the third case heard with this case the respondent was a part-time consultant pathologist to the Board. In the two other cases the respondent held part-time appointments, the one as a psychiatrist and the other as a consultant thoracic surgeon with different regional boards, and also acted as locum tenens in respect of national health appointments. All the respondents also had private patients.

By Section 3 (1) of the National Health Service Act, 1946, it is a duty of the Minister of Health to provide the services of specialists, whether at a hospital, a health centre, a clinic or at the home of the patient. The Minister carries out his duties by delegating to regional hospital boards, and if a specialist wishes to attend national health patients, he has to take an appointment with a regional board. He may take a whole-time or a part-time appointment, and in the latter case he agrees to work a certain number of sessions or notional half-days

a week; and this matter, and also his remuneration, is provided for in a contract between himself and the Board. The contract also provides for annual leave, for reimbursement of travelling expenses and for a subsistence allowance. The specialist is not subject to any control or direction as to how he should carry out his work in the sense of prescribing treatment for a particular patient. A specialist may take part-time appointments with more than one board, but a limit is placed upon the total remuneration he can receive.

The respondents incurred expenses in treating national health patients, and claimed to be assessable under Schedule D and to be entitled to deduct their expenses. The appellants contended that the respondents held offices or employments, and were assessable under Schedule E, and that the expenses were not deductible.

There were also these supplementary questions: (1) whether the expenses of domiciliary visits came within Schedule D or Schedule E, (2) whether the expenses of working as a locum tenens in respect of a national health appointment came within Schedule D or Schedule E, (3) whether fees and expenses incurred in lecturing came within the one schedule or the other, (4) whether expenses of domiciliary visits in other areas were within Schedule D or Schedule E.

Held: (1) that the respondents held offices or employments within Schedule E; and that their general expenses fell to be dealt with in accordance with the rules of that schedule; (2) that the expenses of domiciliary visits fell within Schedule E; (3) that the expenses incurred in working as a locum tenens in respect of a national health appointment also fell within that schedule; (4) that the Special Commissioners' decision that expenses incurred in lecturing were within Schedule D should not be disturbed; (5) that the decision of the Special Commissioners that expenses of domiciliary visits to outside areas were within Schedule D should stand.

C.I.R. *v.* Collco Dealings Ltd
C.I.R. *v.* Lucbor Dealings Ltd

In the High Court of Justice (Chancery Division)
July 24th, 1959
(Before Mr Justice VAISEY)

Income tax – Dividend-stripping – Person entitled to exemption – Company resident in Republic of Ireland – Finance (No. 2) Act, 1955, Section 4 (2).

The respondent companies were incorporated in the Republic of Ireland, and were resident there and were not resident in the United Kingdom. They claimed repayment in respect of dividends, but the Inland Revenue refused repayment on the footing that there had been a process of dividend-stripping, and that each respondent was 'a person entitled under any enactment to an exemption from income tax which extends to dividends on shares', so that Section 4 (2) of the Finance (No. 2) Act, 1955, applied, and the claim was therefore refused.

On appeal to the Special Commissioners it was contended on behalf of each respondent that the words quoted did not apply to residents of the Republic of Ireland. The Special Commissioners accepted this argument, and allowed the appeal.

Held: the words quoted included persons in the position of each of the respondents; and that the claim to repayment was inadmissible.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Belfast on Thursday, June 25th, 1959.

Attendance

The *Vice-President*, Mr G. E. Cameron, was in the chair, and there were also present Messrs John Bacon, Mervyn Bell, A. S. Boyd, G. A. P. Bryan, Frank Cleland, M. M. Connor, A. E. Dawson, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson and James Walker, with the *Secretary* in attendance.

Apologies for absence were submitted from the *President*, Mr D. McC. Watson, and from Messrs H. E. A. Addy, Robert Bell, J. F. Dempsey and the *Joint Secretary* and *Treasurer*.

Death

The death of Charles Robert Parkes O'Neill, A.C.A., Belfast, was reported and noted with regret.

Fellowship

The following Associates were elected to Fellowship:

Buttanshaw, Gordon (Dublin); Milliken, John Anderson (Dublin); Morton, John Reginald (Dublin); Nelson, James Edward (Belfast); Russell, James Meldrum Howie (Dublin).

Associateship in Practice

The following Associates were admitted to practice:

Costelloe, John Joseph (Ennis, Co. Clare).
Gubbins, Joseph Brian (Limerick).

Articles of Clerkship

An application for permission to spend the final months of a five-year term of articles in an industrial organization was rejected.

Institute Examinations: May 1959

The reports of the examiners on the Institute examinations held in May 1959 were submitted showing that in the Final examination 46 per cent of the candidates were successful compared with 36 per cent at the previous examination, and that in the Intermediate examination 37 per cent had passed compared with 25 per cent in November 1958. In the Preliminary examination 3 candidates out of 17 were successful.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXL: January-June 1959

The general index to Volume CXL (January–June 1959) is published as a supplement to this issue.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on July 1st, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that George Law Aynge, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3), of the supplemental Royal Charter in that he signed the Accountant's Certificate required by Section 1 of the Solicitors Act, 1941, relating to the practice of a solicitor for the accounting period from April 1st, 1955, to March 31st, 1956, without taking any or sufficient steps to ensure that the statements certified by him in that certificate were accurate, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against George Law Aynge, A.C.A., had been proved and the Committee ordered that George Law Aynge, A.C.A., of Albion Mill, Waterfoot, Rossendale, Lancashire, be reprimanded.

Taxation and Research Committee

The 103rd meeting of the Taxation and Research Committee was held at the Institute on Thursday, June 18th, 1959, at 2 p.m.

Present: Mr E. N. Macdonald, D.F.C. (in the chair); Messrs R. D. R. Bateman, M.B.E., C. V. Best, R. P. Brown, K. A. Buxton, W. R. Carter, J. Cartner, R. A. Chermside, L. H. Clark, W. F. Edwards, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., T.D., W. S. Hayes, G. N. Hunter, R. O. A. Keel, H. Kirton, S. Kitchen, G. P. Morgan-Jones, F. S. Mowforth, L. Pells, A. H. Proud, D. W. Robertson, H. Eden-Smith, D. Steele, D. E. T. Tanfield, A. G. Thomas, D. T. Veale, J. W. Walkden, F. J. Weeks, T. S. Welch, A. Whittaker, E. K. Wright and G. H. Yarnell, with the Secretary.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc *Sub-Committees*

Progress reports were received from five special sub-committees.

Future Meetings

The next meeting of the Committee was arranged for Thursday, September 17th, 1959, and the following are the normal dates for other meetings in 1959:

Thursday, October 22nd, 1959.
,, December 10th, 1959.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting Reports for Management: by R. B. Lewis. Englewood Cliffs, N.J., 1957. (Prentice-Hall, 120*s*).
The Bill on London. (Gillett Brothers Discount Co): 2nd edition 1958. (Gillett Brothers, 21*s*).
Bowstead on Agency: by W. Bowstead; 12th edition by E. J. Griew. 1959. (Sweet & Maxwell, 70*s*).
The Companies Act, 1958. (Victoria). Melbourne. 1958. (Government Printer, 15*s*).
Local Government Law and Administration in England and Wales: (ed.) by A. D. Yonge. 1959. (Butterworth, 110*s*).
The London Metal Exchange. (Economist Intelligence Unit). Tonbridge. (1958). (Whitefriars Press, 21*s*).
Management Accounting: text and cases; by R. N. Anthony. Homewood, Illinois. 1956. (Richard D. Irwin, 63*s*).
Policy Making and Executive Action: cases on business policy; by T. J. McNichols. New York. 1959. (McGraw-Hill, 62*s*).
Redundancy: a survey of problems and practices. (Acton Society Trust). 1958. (A.S.T., 5*s*).
The Role of the Managing Director; by G. Copeman. (Business Publications, 42*s*).
Something in the City: by J. Benn. 1959. (George Allen & Unwin, 12*s* 6*d*).
*Spicer and Pegler's Book-keeping and Accounts: by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: 15th edition by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, F.C.A., 1959. (H.F.L., presented).
Trust Accounts: by P. M. B. Rowland: 2nd edition. 1959. (Butterworth, 40*s*).
Wills, Probate and Administration: a manual of the law; by B. S. Ker. 1959. (Sweet & Maxwell, 42*s*).

* This book has been presented to all District Society Libraries under the grant of books scheme.

PERSONAL

MESSRS MYRUS SMITH & WALKER, Chartered Accountants, of Bank Chambers, 329 High Holborn, London, WC1, announce that as from August 1st, 1959, they have taken into partnership Mr R. G. COPPING, A.C.A., who served his articles with them and who rejoined their staff in December 1958. The style of the firm will remain unchanged.

The partners in Messrs F. W. POPPLEWELL & SON, Chartered Accountants, of 48–50 Mosley Street, Manchester, 2, announce that the partnership hitherto existing between them has been dissolved by mutual consent. By agreement the practice has been divided and the following arrangements made by the individual partners as to their future activities: Mr ALFRED POPPLEWELL, F.C.A., has taken over the Buxton branch of the practice at 22 Hardwick Street, Buxton; Mr G. W. WOOD, F.C.A., has taken over the Southport branch of the practice at 41 Hoghton Street, Southport; Mr W. D. WILSON, A.C.A. and Mr J. SMALLEY, A.C.A. have taken over the Manchester branch of the practice

and have been joined by Mr R. L. POWELL, F.C.A., and Mr R. S. COLLIER, A.C.A., hitherto practising in Manchester under the name of POWELL & POWELL. The joint practice is being carried on under the name of WILSON, POWELL & CO.

MESSRS BAKER & CO, Chartered Accountants, of London, Leicester, Coventry, Northampton, Bedford and elsewhere, and MESSRS THORNTON & THORNTON, Chartered Accountants, of London, Birmingham, Oxford and elsewhere, jointly announce that as from July 1st, 1959, there has been a fusion of their interests at their respective offices and that in future each practice will be carried on under the style of THORNTON, BAKER & CO.

MESSRS THORNTON, BAKER & CO, Chartered Accountants, announce that they have admitted into partnership as from July 1st, 1959, Messrs G. BARRETT-JONES, A.C.A., M. A. GREEN, F.C.A., and J. R. ANTOINE, A.C.A., who have for many years been associated with Messrs Thornton & Thornton at their Evesham, Horsham and High Wycombe offices respectively.

MESSRS K. J. PAUSEY & CO, Chartered Accountants, of London, announce that they have amalgamated with the Slough branch of Messrs CALDER-MARSHALL, IBOTSON & BOUND, Chartered Accountants, and in future will practise under the latter name at 130C High Street, Slough. The partners of the new firm are Messrs R. DAVSON, F.C.A., D. F. THORNTON-SMITH, F.C.A., and K. J. PAUSEY, F.C.A.

PROFESSIONAL NOTES

Mr L. R. P. Pugh, V.R.D., A.C.A., director and secretary of Guest, Keen Iron & Steel Co Ltd, has been appointed to the new post of assistant managing director of the company. He is succeeded as secretary by Mr C. F. Pagnamenta, O.B.E., A.C.A., at present chief accountant. Mr B. W. John, B.COM., A.C.A., at present assistant secretary, becomes chief accountant.

Mr William A. Board, A.C.A., secretary of Western Counties Brick Co Ltd, has been elected a director of the company.

Mr R. H. C. Boys, A.C.A., has been appointed a director of Roan Antelope Copper Mines Ltd and of Mufulira Copper Mines Ltd. He has also been appointed to the boards of Bancroft Mines Ltd, Nchanga Consolidated Mines Ltd, The Rhodesia Broken Hill Development Co Ltd, Rhodesia Copper Refineries Ltd, and Rhokana Corporation Ltd.

Mr Lionel Wilk, D.F.C., M.A., F.C.A., has been appointed a director of Wrensons Stores Ltd.

Mr E. Watson Rodger, C.A., has been appointed managing director of The British Wagon Co Ltd.

Mr A. G. McBain, C.A., has been appointed a director of N. G. Napier Ltd.

Mr E. S. Newson, A.S.A.A., C.A.(S.R.), and Mr R. H. C. Boys, A.C.A., have been appointed general managers in Africa of the British South Africa Co.

Mr L. A. Hygate, A.C.A., has been appointed secretary of O. & M. Kleemann Ltd and will also act as secretary of the company's subsidiaries.

Mr A. H. Champness, A.C.A., has been appointed to the board of Sussex & Dorking United Brick Co Ltd.

Mr H. H. W. Pollard, O.B.E., T.D., M.A., A.C.A., has been appointed a director of Viking International Corporation Ltd and of Vestfold Shipping Co Ltd.

Mr H. D. Leete, F.C.A., has been appointed chairman of Bradleys (Chester) Ltd.

Mr L. A. H. Sarl, F.C.A., has been appointed secretary of Carreras Ltd.

Mr J. P. Elliott, F.C.I.S., F.A.C.C.A., A.C.W.A., secretary and director of Davey, Paxman & Co Ltd, of Colchester, has been appointed assistant managing director of the company as from July 30th, 1959.

IN PARLIAMENT

Deeds of Covenant

Mr GREEN asked the Chancellor of the Exchequer what action he proposes to take on the recommendation of the Royal Commission on the Taxation of Profits and Income that a person who makes a covenant in favour of a member of his family and claims tax relief in consequence should be required by statute to produce declarations by himself and the beneficiary as to the absence of any agreement or understanding for the return, direct or indirect, of any part of the benefit.

Mr SIMON: My right hon. friend is advised that as the law stands the existence of conditions or counter-stipulations in regard to payments under any deed of covenant, whether the beneficiary is a member of the covenantor's family or not, prevents the deed from operating as a valid transfer of income for tax purposes. In my right hon. friend's view, therefore, no legislative action is necessary. However, the Board of Inland Revenue propose to instruct Inspectors of Taxes to call for declarations bearing on this point in the case of such deeds as part of the evidence required in support of a claim for tax relief, whether or not the covenantor and the beneficiary are related.

Hansard, July 30th, 1959. Written Answers. Col. 148.

DOUBLE TAXATION AGREEMENT TERMINATED

It has been announced by the Inland Revenue that as a result of notice of termination given by the Government of Pakistan, the agreement for the avoidance of double taxation with respect to taxes on income between Pakistan and the United Kingdom, which was concluded in 1955, will cease to have effect from next year.

Both Governments have indicated their willingness to enter into negotiations for a new agreement.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Residential Course on Management Accounting

A three-day residential course on management accounting is to be held at Harrogate on November 13th, 14th and 15th by the Leeds, Bradford and District Society of Chartered Accountants. It is hoped that the success of the Society's previous management accounting courses held at Harrogate in 1955 and 1957 will be repeated, and an excellent programme has again been arranged.

On Friday afternoon, Mr Christopher Bostock, M.A., F.C.A., will present a paper entitled, 'Every accountant a management accountant', in which he will refer to the idea of management accounting ceasing to be a separate skill but forming part of the expertise of every chartered accountant. On Saturday morning, Prof. Robert Browning, M.A., LL.B., C.A., will speak on 'The chartered accountant as director', presenting some thoughts on the contribution which the accountant/

director can make to the problems of management; while on Saturday evening, the third paper entitled 'Management accounting – a problem of communications', will be given by Mr Wilfred H. Leather, F.C.A., in which he will deal with some of the practical problems arising from the installation of a management accounting system and the proper interpretation of the information produced.

All members of the course will be allocated to groups and after each paper there will be group discussions. These will be held at the end of each session and there will later be a further meeting of all the members of the course at which matters of interest and questions raised during the discussions will be submitted to the speaker.

The course is open to all members of the Leeds, Bradford and District Society and a few vacancies will be reserved for members of other district societies. The fee will be £8 5s (including accommodation and meals) and application forms, which must be completed not later than September 7th, are available from Mr H. Anderson, F.C.A., Management Accounting Course, 26 Park Row, Leeds, 1.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

At the annual general meeting of the Northern Society of Chartered Accountants held recently, Mr Percy Cooper, T.D., F.C.A., was elected President for the ensuing year.

Admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1937, Mr Cooper became a partner in the firm of J. C. Graham & Spoor, Chartered Accountants, of Newcastle upon Tyne, two years later. He joined the Territorial Army before the Second World War and throughout the war served with the 43rd Royal Tank Regiment. He was elected a Fellow of the Institute in 1949.

Mr Cooper has been a member of the committee of the Northern Society of Chartered Accountants since 1948 and was honorary secretary of the Society from 1949–53. He is also a member of the Newcastle upon Tyne Hospital Management Committee, a past president of Gosforth Rugby Football Club and chairman of Gosforth Squash Club.

Other officers for 1959–60 are:

Vice-President: Mr A. Whittaker, F.C.A.

Hon. Secretary: Mr G. N. Robson, F.C.A., 42 Mosley Street, Newcastle upon Tyne, 1.

Hon. Treasurer: Mr J. B. Dunford, A.C.A.

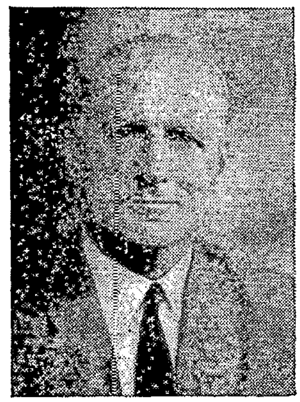
SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The report for 1958 of the committee of the South Wales and Monmouthshire Society of Chartered Accountants records a total membership at December 31st, 1958, of 443, an increase of 196 over the year. The total is made up of 215 members in practice and 228 not in practice, compared with 120 in practice and 127 not in practice at December 31st, 1957. Potential membership of the Society following integration is considerably more than the number who have joined, and the report states that it is hoped that those who have not yet joined the Society will in due course do so.

The committee are arranging a programme of lectures for 1959–60 despite the disappointing attendances at those held at Swansea and Cardiff during the year under review. The annual dinner and dance was highly successful and was attended by a record number of members and guests. Two meetings of the Golf Society were held during the year at Southerndown and Royal Porthcawl.

New President

Mr C. R. Daniel, F.C.A., senior partner in the firm of J. & H. S. Metcalf, Chartered Accountants, of Cardiff, was elected President of the Society at the recent annual meeting.



Mr Daniel, who served his articles with the firm of which he is now senior partner, was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1929 and was elected a Fellow in 1935.

From 1939–46 he was area secretary of Timber Control, Board of Trade, and from 1947–48 was area officer. He has also represented the Treasury under the Development Area Treasury Advisory Committee on the boards of two companies in South Wales. He is a director of the Cardiff Building Society and was chairman of the South Wales and Monmouthshire Association of Building Societies from 1956–57.

Other officers for the ensuing year are:

Vice-President: Mr T. W. Pickard, F.C.A.

Acting Hon. Secretary: Mr D. T. Jeremy, F.C.A., 6 Christina Street, Swansea.

Hon. Treasurer: Mr H. E. Halliday, F.C.A.

Hon. Librarians: Mr T. W. Pickard, F.C.A., and Mr D. Emrys Davies, F.C.A.

Hon. Auditor: Mr W. J. James, J.P., F.C.A.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Autumn Residential Course

The sixth autumn residential course for members of The Chartered Accountant Students' Society of London will take place at Balliol College, Oxford, from Thursday, September 17th to Sunday, September 20th.

The course will be attended, in the main, by those members of the Society who have taken the Intermediate examination. Several lectures on subjects of considerable interest will be given and these will be followed by discussion in groups and a final discussion

with the lecturer at the end of the day. The programme will be as follows:

Thursday afternoon: 'Tax avoidance and evasion', by Mr G. S. A. Wheatcroft, J.P., M.A., F.I.I.S., F.I.I.T. (Master of the Supreme Court; Editor of *The British Tax Review*).

Friday: 'Management accounting in practice', by Mr A. P. Ravenhill, F.C.A. (chief accountant, The United Africa Co Ltd), and 'Economic factors in business planning', by Dr G. C. Allen, C.B.E., M.COM., PH.D. (Professor of Economics, University College, London).

Saturday: 'Share valuations and take-over bids', by Dr C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S.

Sunday: Service in College Chapel.
Lecture on 'Good form in accounts', by Mr Charles W. Aston, A.C.A. (a general manager, Peninsular and Oriental Steam Navigation Co).

Applications to attend the course have substantially exceeded the number of places available, and all those students who can be accommodated have now been notified.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society played its annual match against The Institute of Municipal Treasurers and Accountants on the Walton Heath course on June 23rd in perfect weather.

The teams consisted of five pairs each and ten foursome matches were played. The result was a win for the Chartered Accountants by 8½ to 1½ matches. The results (Chartered Accountants' names first), were as follows:

Morning

H. C. Staines and H. Lemmon halved with A. B. Ridley and E. E. H. Cage.
W. B. Henderson and J. B. Pittman beat G. G. Anderson and J. W. Hough, 6 and 5.
J. T. Isherwood and C. I. Steen lost to H. B. Barter and R. C. Matthews, 2 and 1.
A. W. Coleman and S. Penwill beat A. Ford and J. Collinson, 6 and 4.
L. V. Mills and J. D. Green beat N. Bennington and E. L. Jones, 6 and 5.

Afternoon

Staines and Pittman beat Ridley and Anderson, 7 and 5.
Henderson and Steen beat Cage and Hough, 2 up.
Lemmon and Isherwood beat Matthews and Ford, 4 and 2.
Mills and Penwill beat Barter and Jones, 4 and 3.
Coleman and Green beat Collinson and Bennington, 3 and 1.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Students' Residential Course

The South Eastern Society of Chartered Accountants will hold its tenth students' residential tuition course in Brighton from September 21st to 25th (Intermediate students), and from October 5th to 8th (Final students).

The success of previous courses has firmly established this annual event as a valuable contribution to the educational facilities available to students. Lectures are given entirely by lecturers from the main accountancy correspondence schools, and the programmes include evening buffet meetings.

Arrangements for hotel accommodation in Brighton can be made, if desired, for students attending the course, and a grant is made towards the cost of accommodation and travelling expenses. The fee for the course is £3 15s od.

All students, whether or not within the area of the South Eastern Society, wishing to attend the course, should apply as soon as possible for registration forms and further particulars, to Mr T. T. Nash, A.C.A., 33 Lawrence Road, Hove, Sussex.

BIRMINGHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY

At the recent annual general meeting of The Birmingham Chartered Accountants Students' Society, the following officers were elected for 1959–60:

President: Mr E. T. Worsley, F.C.A.
Vice-President: Mr K. J. Milligan, M.A., F.C.A.
Hon. Secretary: Mr D. K. Rowe-Ham, Chartered Accountants' Library, 36 Cannon Street, Birmingham, 2.
Hon. Assistant Secretary: Mr J. S. Dain.
Hon. Treasurer: Mr J. C. Bodycote.
Hon. Librarian: Mr D. R. Rowley.

FIRST PRESIDENT OF BRITISH INSTITUTE OF MANAGEMENT

The British Institute of Management, which was established in 1947 with the main objects of promoting research into management problems and the development of training and educational schemes, will have its first President this year, when Lord Baillieu, K.B.E., C.M.G., will be nominated for election by the Council of the Institute at the annual meeting in October.

The choice of Lord Baillieu, who is President of the Dunlop Rubber Co Ltd, could not be more appropriate, for in 1946 he acted as chairman of the committee set up by the President of the Board of Trade to formulate detailed proposals for the formation of a central institute for all questions connected with management. The establishment of the British Institute of Management was the direct result of the recommendations put forward by that committee.

Lord Baillieu has had a distinguished business career and from 1945–47 was President of the Federation of British Industries.

OFFICE MANAGEMENT ASSOCIATION

The Rt. Hon. Viscount De L'Isle, V.C., P.C., D.L., M.A., A.C.A., has been re-elected president of the Office Management Association.

INTERNATIONAL BUREAU OF FISCAL DOCUMENTATION

The International Bureau of Fiscal Documentation, which has its headquarters in Amsterdam, has now completed twenty years' working. The Bureau, which is an independent and non-profit-making organization, includes amongst its aims the study and supply of information on fiscal legislation.

In its recently published annual report for 1958, it is stated that the number of inquiries dealt with by the Bureau again increased and the number of detailed reports completed was also greater than in 1957. The subjects on which inquirers showed special interest included the European Economic Community (Common Market), tax-saving projects (the report states that many taxpayers are willing to emigrate in order to avoid paying what they consider excessive taxation), international tax law (a great many questions were asked about the application of double taxation conventions), death duties and capital reorganizations. The inquiries dealt with during the year covered over seventy countries throughout the world.

Mr Douglas A. Clarke, LL.B., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, is the United Kingdom member of the Council of Protection of the Bureau.

CERTIFIED ACCOUNTANTS' WEEK-END SCHOOL

A comprehensive record of the proceedings of The Association of Certified and Corporate Accountants' week-end school held at Oxford from April 10th to 12th (reported in *The Accountant* of April 18th) was published recently.

The report, which extends to 134 pages, incorporates the three papers presented at the school, which had as its theme 'The accountant as adviser and co-ordinator in electronic data processing'. Questions submitted by group leaders are detailed, together with answers provided by the authors of the papers; the names of those who attended the school are also given. The report is available from the Secretary of the Association at 22 Bedford Square, London, WC1, price 5*s* 6*d* post free.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

RESULTS OF EXAMINATIONS HELD IN MAY 1959

FINAL EXAMINATION

First Place and the 'Arthur H. Muir' Memorial Prize: Behan, J. M. (Tuam, Co. Galway).

Second Place: Bunting, L., B.SC.(ECON.), (Belfast).

Third Place: Aboud, R. M., B.A., B.COM. (Sierra Leone). Slattery, W. J. (Limerick).

Full list of names of successful candidates (in alphabetical order)

*Aboud, R. M. (Sierra Leone); Alexander, S. B. (Belfast); *Behan, J. M. (Tuam, Co. Galway); Boucher, A. J. K. (Belfast); *Bunting, L. (Belfast); Cairnduff, I. B. (Dublin); Davitt, M. F. M. (Dublin); Dolan, B. K. (Dublin); English, B. T. (Belfast); Fisher, T. A. (London); Gearty, R. C. (Strokestown, Co. Roscommon); Gomarsall, D. A. (Middlesex); Hope-Ross, M. C. (Trinidad); Hourihane, J. D. (Dublin); Hussey, F. D. (Dublin); Kelly, T. F. (Dublin); Kennedy, P. E. (Glenageary, Co. Dublin); Kerr, J. W. (Ballymena, Co. Antrim); King, R. J. (Belfast); Kirby, T. P. (Blackrock, Co. Dublin); McAuley, D. M. (Donaghadee, Co. Down); McElhatton, A. M. P. (Dublin); Magill, D. G. (Belfast); Murphy, J. J. (Dublin); Murray, (Miss) B. C. (Navan, Co. Meath); Neligan, M. A. (Dublin); O'Donoghue, P. (Dublin); Pounder, R. J. (Belfast); *Slattery, W. J. (Limerick); Steel, J. (Comber, Co. Down); Thunder, T. J. G. (Howth, Co. Dublin); Wallace, J. K. V. (Limerick); Wilson, E. G. (Belfast).

33 candidates passed. 39 candidates failed.

*See also place list above.

INTERMEDIATE EXAMINATION

First Place and the 'John Mackie' Memorial Prize: Molony, A. P. M. O'Con. M., B.COMM. (Dublin).

Second Place: O'Sullivan, C., B.COMM. (Dublin).

Third Place: Griffin, B. E. M., B.COMM. (Blackrock, Co. Dublin).

Full list of names of successful candidates (in alphabetical order)

Bourke, P. D. (Dublin); Brophy, N. H. (Dublin); Browne, W. P. (Dublin); Christie, D. M. (Coleraine, Co. Londonderry); Colligan, P. G. (Thurles, Co. Tipperary); Cooley, S. A. G. (Belfast); Cowie, A. R. (Tallaght, Co. Dublin); Cox, P. A. (Dublin); Devitt, A. B. (Dun Laoghaire, Co. Dublin); Fallon, M. A. (Dublin); *Griffin, B. E. M. (Blackrock, Co. Dublin); Hogg, G. R. C. (Dublin); Jeffers, A. T. (Bandon, Co. Cork); Johnston, W. K. (Lambeg, Co. Antrim); Kavanagh, P. J. (Dublin); Kearney, L. C. (Newry, Co. Down); Kelly, D. E. A. (Dublin); Kennedy, P. J. (Tullaroan, Co. Kilkenny); Lim Thin Kong, F. (Dublin); McCarthy, F. W. (Glenageary, Co. Dublin); McGuigan, P. J. (Limerick); McHugh, F. C. (Dublin); McKenna, P. D. (Dublin); MacSherry, L. J. (Dublin); Meagher, F. J. (Ballinamuck, Co. Longford); Mitchell, J. F. (Enniscorthy, Co. Wexford); Moloney, J. C. (Dublin); *Moloney, A. P. M. O'Con. M. (Dublin); Morton, J. C. (Newcastle, Co. Down); Murphy, E. R. (Cork); O'Brien, D. A. (Dublin); O'Brien, J. G. (Dublin); O'Connor, A. F. (Dublin); O'Connor, B. (Blackrock, Co. Dublin); *O'Sullivan, C. (Dublin); O'Sullivan, P. K. (Dublin); Owens, T. J. (Charleville, Co. Cork); Ronaghan, J. J. B. (Dublin); Rubbathan, A. W. (Dublin); Savage, T. J. (Belfast); Sheridan, F. L. P. (Dublin); Sythes, M. (Belfast).

42 candidates passed. 71 candidates failed.

*See also place list above.

Summary of Results

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates successful	33	42	3	78
Candidates failed ..	39	71	14	124
Candidates sat ..	72	113	17	202

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Results of Examinations held in May 1959

FINAL EXAMINATION

(Second Division)

As a result of the examination held on May 11th, 12th, 13th, 14th and 15th, 1959, the undermentioned 102 candidates passed the Second Division of the Institute's Final examination. Their names appear in alphabetical order and are followed by the name of the firms of the masters to whom they were indentured or assigned, an asterisk indicating a candidate who qualified for the Institute's Final examination certificate.

*Adamson, W. MacA. (Hardie Caldwell Ker & Hardie), Glasgow.
*Aitchison, M. (Nelson, Gilmour, Scott & Co), Glasgow.
*Allan, W. M. (Russ, Ferguson & MacLennan), Glasgow.
*Anderson, G. (Kidston, Goff & Harvey), Glasgow.
*Anderson, G. W. (Brown, Fleming & Murray), Glasgow.

*Ballingall, A. M. (Wallace & Somerville), Edinburgh.
*Barbour, R. M. (Peat, Marwick, Mitchell & Co), Glasgow.
*Baxter, A. L. (J. W. & R. N. Oswald), Edinburgh.
*Beange, G. E. (F. A. Ritson & Co), Elgin.
*Bell, E. S. (Thomson McLintock & Co), London.
*Bethune, W. I. M. (A. & J. Robertson), Edinburgh.
Beveridge, D. S. (McKerrell Brown & Gray), Edinburgh.
*Bilsland, A. (McClelland, Ker & Co), Glasgow.
*Black, A. M. (F. D. Greenhill & Co), Glasgow.
*Borgartz, R. V. (Thomson McLintock & Co), London.
Burns, J. (James Walker & Co), Glasgow.
*Burns, W. (W. M. Stevenson & Co), Johnstone.

*Campbell, A. M. (Wilson, Stirling & Co), Glasgow.
*Chisholm, G. R. (W. A. Wighton & Crawford), Edinburgh.
*Clark, W. (Alfred T. Scott & Co), Ayr.
*Cormie, J. A. D. (Maxtone Graham & Sime), Edinburgh.
*Crawford, W. A. (Hardie, Cuthbertson & Co), Glasgow.
*Crichton, Q. T. (Moody Stuart & Robertson), Dundee.

*Davie, R. W. (Moores, Carson & Watson), Glasgow.
*Day, R. I. (Smith & Williamson), Glasgow.
Dempster, (Miss) C. M. (W. M. Stevenson & Co), Johnstone.
*Dietrichsen, J. C. (J. Wyllie Guild & Ballantine), Glasgow.
*Dinnie, J. N. (Williamson & Dunn), Aberdeen.
*Drayson, P. A. (Chalmers, Wade & Co), London.
*Dryfe, T. (Kerr, MacLeod & Macfarlan), Glasgow.
*Dunn, (Miss) P. L. (McKerrell Brown & Gray), Edinburgh.

*Edmond, J. M. (W. R. McDonald & Gordon), Edinburgh.
*Emerson, J. T. (A. T. Niven & Co), Edinburgh.
*Engerran, K. L. (Smallfield, Rawlins & Co), London.

*Ferguson, J. A. (Scott & Paterson), Edinburgh.
*Fleming, R. (J. W. Jarvie & Co), Glasgow.
*Frame, D. D. M. (McLachlan & Brown), Glasgow.

*Gemmill, T. C. (Kerr, MacLeod & Macfarlan), Glasgow.
*Grahamslaw, G. (Charles Burrows & Co), Edinburgh.
*Grant, M. A. (Bower & Smith), Aberdeen.
*Gray, (Miss) E. J. (A. G. McBain & Co), Glasgow.
*Gray, J. (Thomson, Jackson, Gourlay & Taylor), Glasgow.
*Greenhill, D. S. (Kidston, Goff & Harvey), Glasgow.
*Grimley, D. P. (Kelman, Moore & Co), Glasgow.
*Gyte, M. T. (Kerr, MacLeod & Macfarlan), Glasgow.

*Haddad, R. K. (Russ, Ferguson & MacLennan), Glasgow.
*Harris, J. C. (McClelland, Moores & Co), London.
Heath, J. D. (J. Douglas Henderson & Co), Edinburgh.
*Hepburn, L. J. (McLay, McAlister & McGibbon), Glasgow.
*Hetherington, W. G. (Reid & Mair), Glasgow.
*Hider, F. S. (Bryson & Craig), Edinburgh.
*Howat, H. S. (Davidson, Downie & McGown), Glasgow.

*Jessiman, A. H. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.
*Johnstone, R. W. (Rattray Brothers, Alexander & France), Glasgow.

*Kenward, J. T. (Peat, Marwick, Mitchell & Co), London.

*Lafferty, J. L. (McAdam & Shaw), Glasgow.
*Lindsay, J. B. (French & Cowan), Glasgow.
*Low, J. C. (F. A. Ritson & Co), Elgin.

*McLeavy, G. (Henderson & Loggie), Dundee.
*Macleod, A. A. (Wilson, Stirling & Co), Glasgow.
*McLeod, J. M. C. (Leo Higney & Co), Glasgow.
*McMillan, P. C. (Fraser, Lawson & Laing), Glasgow.
*Main, A. W. (Turner & Houston), Glasgow.
*Manktelow, P. A. R. (Milne, Gregg & Turnbull), London.
Markham, P. M. (Peat, Marwick, Mitchell & Co), London.
*Martin, D. E. (Mackie & Clark), Glasgow.
*Mathie, J. T. (Peat, Marwick, Mitchell & Co), Glasgow.
*Milne, D. S. (Flockhart & Grant), Aberdeen.
*Muzaffar, K. (R. C. Kelman & Shirreffs), Aberdeen.
*Mwangi, J. (Reid & Mair), Glasgow.

*O'Brien, P. D. (Stevenson & Kyles), Glasgow.

*Patience, J. (Watson McCarroll & Co), Glasgow.
Porteous, A. (S. Easton Simmers & Co), Glasgow.
*Porter, B. M. A. (Peacock & Henry), Glasgow.

*Reeve, A. J. (Carter, Greig & Co), London.
Reid, A. G. (W. S. Brown, MacDonald & Fleming), Edinburgh.
*Ritchie, A. G. (W. A. Wighton & Crawford), Edinburgh.
*Ross, B. S. (Reid & Mair), Glasgow.

*Scott, W. L. R. (W. P. & J. A. Scott), Edinburgh.
Shaikh, M. G. (Turner & Houston), Glasgow.
*Sharp, D. J. (Hourston, Macfarlane & Co), Glasgow.
*Shaw, J. B. N. (Anderson & Ritchie), Glasgow.
*Simpson, A. (Chas. Leigh Brown & Son), Glasgow.
*Simson, R. H. (Nairn, Bowes & Craig), Glasgow.
*Sinclair, G. A. (Stewart Gilmour), Ayr.
*Smith, K. B. (Muir & McIntyre), Glasgow.
*Smith, R. Y. (Thomson, Jackson, Gourlay & Taylor), Glasgow.
*Speirs, J. A. A. (McClelland, Moores & Co), Glasgow.
*Stewart, I. (Robertson & Brown), Glasgow.
*Swan, G. F. (Rattray Brothers, Alexander & France), Glasgow.

*Telfer, W. L. (A. G. McBain & Co), Glasgow.
*Tilman, J. R. (George A. Touche & Co), London.

*Waddell, R. S. (Thomson McLintock & Co), Glasgow.
*Wall, T. B. (John H. Fraser & Crawford), Greenock.
*White, R. P. (Richard Brown & Co), Edinburgh.
*Wilkinson, G. (Brown, Fleming & Murray), Glasgow.
*Wilson, G. (Wilson, Currie & Donaldson), Glasgow.
*Wilson, M. T. (McClelland, Moores & Co), Glasgow.
*Woolley, F. S. (Alexander Houston), Glasgow.

*Yap, P. K. (McCosh, McLachlan & Co), Glasgow.
Young, D. M. G. (John M. Geoghegan & Co), Edinburgh.
Young, H. K. (Martin Currie & Scott), Edinburgh.

INTERMEDIATE EXAMINATION

(Second Division)

As a result of the examination held on May 14th and 15th, 1959, the undernoted 159 candidates passed the Second Division of the Institute's Intermediate examination; their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

Abai, A. (Arthur Walker & Co), Edinburgh.
Adamson, M. G. (Graham, Smart & Annan), Edinburgh.
Aderinto, (Miss) E. M. (Anderson & Ritchie), Glasgow.
Allan, M. H. (Martin Currie & Scott), Edinburgh.
Allison, I. S. (McLay, McAlister & McGibbon), Glasgow.
Amrite, D. P. (Alexander Sloan & Co), Glasgow.

Bain, B. W. (Ernest W. Brown), Edinburgh.
Baird, R. N. (Hourston, Macfarlane & Co), Glasgow.
Bannister, (Miss) J. M. (Chrystal, McIntyre & Co), Glasgow.
Beaumont, R. M. (McClelland, Moores & Co), London.
Begg, J. C. B. (William D. Anderson & Co), Edinburgh.
Birnie, A. J. (Charles Berry), Glasgow.
Blanche, W. D. (Peacock & Henry), Glasgow.
Borland, (Miss) M. L. (Craston Thomson & Allison), Glasgow.
Brown, R. H. (Brodie, Burns & Anderson), Glasgow.
Brownlie, W. J. R. (William J. Young & Brown), Glasgow.
Buchanan, T. (Mitchell & Smith), Glasgow.
Burgess, N. H. (Smith & Williamson), Glasgow.
Burrell, J. F. M. (Howden & Molleson), Edinburgh.

Callander, R. D. (Crawford & Paxton), Dumbarton.
Campbell, D. (Mann, Judd, Gordon & Co), Glasgow.
Campbell, G. C. (Miller, McIntyre & Gellatly), Perth.
Campbell, J. A. (Roderick MacLean & Co), Inverness.
Campbell, J. G. (Nairn, Bowes & Craig), Glasgow.
Campbell, W. C. (MacLean Brodie & Forgie), Glasgow.
Cassells, I. A. P. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.
Chamberlain, J. M. (Hamilton-Eddy & Walker), London.
Clarke, T. J. (Kelman, Moore & Co), Glasgow.
Craft, D. D. (Wilson, Stirling & Co), Glasgow.
Crawford, W. A. (Fleming & Black), Glasgow.
Crichton, (Miss) J. C. K. (Wylie & Bisset), Glasgow.

Davidson, S. W. E. (Wylie & Hutton), Edinburgh.
Dawson, N. G. (George A. Touche & Co), London.
Dey, H. C. (J. Lawrence Grant), Glasgow.
Dick, C. M. (McLachlan & Brown), Glasgow.
Doherty, F. E. (Biggar, May & Co), Glasgow.
Drysdale, W. D. (A. & C. M. Davidson Smith), Edinburgh.
Durell, P. C. V. (McClelland, Moores & Co), Glasgow.

Eakin, J. S. (Turner & Houston), Glasgow.
Elder, B. J. (Davidson & Workman), Glasgow.
Evans, W. B. (Wardhaugh & McVean), Glasgow.

Ferguson, A. G. (Scott & Paterson), Edinburgh.
Fleming, A. W. (Barstow & Millar), Edinburgh.
Fleming, J. D. (John E. Watson & Co), Glasgow.
Forsyth, T. (J. W. & R. N. Oswald), Edinburgh.
Forsyth, T. (Davidson, Downie & McGown), Glasgow.
Fraser, H. (E. G. Stanley Craig & McIntyre), Glasgow.
Fraser, J. J. (McClelland, Moores & Co), Glasgow.
Furniss, J. V. (Peat, Marwick, Mitchell & Co), London.

Gillies, K. J. H. (Hardie, Cuthbertson & Co), Glasgow.
Gladstone, T. B. S. (T. C. Garden & Co), Edinburgh.
Gold, R. F. (Mann, Judd, Gordon & Co), Glasgow.
Goldie, D. S. (S. Easton Simmers & Co), Glasgow.
Goslan, C. T. (McLay, McAlister & McGibbon), Glasgow.
Gracie, P. K. (A. & J. Robertson), Edinburgh.
Grahamslaw, G. I. (Charles Burrows & Co), Edinburgh.
Greenhill, K. G. (F. D. Greenhill & Co), Glasgow.
Grier, J. P. (Fleming & Black), Glasgow.
Grossart, A. McF. McL. (Thomson McLintock & Co), Glasgow.
Gunn, D. M. (Ernest W. Brown), Edinburgh.

Hardie, J. C. (Richardson & Lawson), Glasgow.
Harper, J. B. T. (Romanes & Aitchison), Edinburgh.
Harris, P. J. (McClelland, Moores & Co), London.
Henderson, A. M. (Henderson & Loggie), St Andrews.
Hendry, G. (Henderson & Loggie), St Andrews.
Hill, I. S. (J. W. & R. N. Oswald), Edinburgh.
Holland, B. R. (Turner & Houston), Glasgow.
Hopkins, R. M. G. (Houston, Roberts & Co), Glasgow.
Hutcheson, T. D. (Brown, Fleming & Murray), London.
Hutchison, R. D. (Kidston, Goff & Harvey), Glasgow.
Hutton, J. M. (Russ, Ferguson & MacLennan), Glasgow.

Jarvie, J. (S. Easton Simmers & Co), Glasgow.
Johnston, W. G. (Alexander McOmish, Hart & Co), Glasgow.
Jones, S. M. (Cooper Brothers & Co), Glasgow.
Judge, H. G. (John M. Geoghegan & Co), Edinburgh.

Kelly, J. G. (William J. Young & Brown), Glasgow.
Khan, S. A. (McCosh, McLachlan & Co), Glasgow.
King, R. S. (James Condie & Co), Dunfermline.
Kwok, R. C. (McClelland, Moores & Co), Glasgow.

Leithead, W. D. M. (John J. Welch & Co), Hawick.
Linter, D. (Thomson McLintock & Co), Glasgow.
Low, C. A. S. (Mackay, Irons & Co), Dundee.
Lynch, J. F. (Walter & W. B. Galbraith), Glasgow.
Lyon, J. T. (Henderson & Loggie), Dundee.

MacAskill, J. A. (McMurdo, Sinclair & Co), Glasgow.
McCool, J. G. (Geddes, Beaton & Co), Edinburgh.
McCulloch, J. D. (Chiene & Tait), Edinburgh.
McIntosh, D. C. (Henderson & Loggie), Dundee.
Mackenzie, A. M. (Scott & Paterson), Edinburgh.
McKenzie, R. W. (Houston, Roberts & Co), Glasgow.
McLaren, J. M. (D. M. McNaught & Co), Glasgow.
McLaughlin, T. C. (Romanes & Munro), Edinburgh.
McLeod, E. R. (Graham, Smart & Annan), Edinburgh.
McNeil, D. C. (Howden & Molleson), Edinburgh.
Macrae, J. N. (McClelland, Moores & Co), Glasgow.
McSwan, M. (Geddes, Beaton & Co), Edinburgh.
Mactaggart, A. D. L. (Taylor & Ireland), Glasgow.
Mann, G. S. (Munro & Jackson), Edinburgh.
Marshall, I. V. M. M. (Peat, Marwick, Mitchell & Co), Glasgow.
Mein, S. C. (Wylie & Hutton), Edinburgh.
Millar, R. P. W. (Brown, Fleming & Murray), Glasgow.
Miller, R. A. B. (A. & J. Robertson), Edinburgh.
Milne, J. A. P. (Mann, Judd, Gordon & Co), Glasgow.
Milne, R. C. (Brown, Fleming & Murray), London.
Munro, H. F. (John E. Watson & Co), Glasgow.

Neil, J. McN. (Davidson, Downie & McGown), Glasgow.
Nelson, S. R. (Dunlop & Murray), Glasgow.
Newman, D. (Gibson, Anderson & Co), Glasgow.
Nicol, J. (James L. Nicol), Falkirk.

O'Neil, R. (McLachlan & Brown), Glasgow.

Page, W. O. (Martin Currie & Scott), Edinburgh.
Parker, J. (R. Stephen Milne), Paisley.
Paterson, R. (Davidson & Workman), Glasgow.
Paton, H. I. B. (Miller, McIntyre & Gellatly), Perth.
Philp, A. H. (A. C. Philp & Co), Dunfermline.
Pilley, S. A. E. (Thomson McLintock & Co), Glasgow.
Pullen, I. C. (Chiene & Tait), Edinburgh.

Ramsay, J. T. L. (Wilson, Stirling & Co), Glasgow.
Rankin, W. S. (Wilson, Stirling & Co), Glasgow.
Rasberry, J. D. (A. G. Murray & Co), Edinburgh.
Reid, D. L. (James Condie & Co), Dunfermline.
Rennie, W. G. (Thomson McLintock & Co), Glasgow.
Robb, G. D. (Howden & Molleson), Edinburgh.
Robb, P. J. (Anderson & Menzies), Kirkcaldy.
Robertson, M. P. (McIntryre & Rae), Dundee.
Romanis, A. (A. & J. Robertson), Edinburgh.

Scott, G. R. C. (McClelland, Moores & Co), Glasgow.
Scouller, B. J. M. (Paterson & Steel), Glasgow.
Shaw, P. D. (John H. Fraser & Crawford), Greenock.
Sheridan, R. M. (Richardson & Lawson), Glasgow.
Sheridan, R. W. (Robert G. Morton & Son), Edinburgh.
Shoolbred, R. J. (Thomson McLintock & Co), London.
Sibbald, J. A. (John E. Watson & Co), Glasgow.
Simpson, D. W. M. (John M. Geoghegan & Co), Edinburgh.
Smart, R. B. (McClelland, Moores & Co), Glasgow.
Smith, A. J. (Turner & Houston), Glasgow.
Smith, I. C. (Russ, Ferguson & MacLennan), Stornoway.

Sowersby, J. (Howden & Molleson), Edinburgh.
Spalding, E. J. (Miller, McIntyre & Gellatly), Dundee.
Steven, H. S. U. (W. A. Wighton & Crawford), Edinburgh.
Stewart, W. A. (Thomson McLintock & Co), London.
Stuart, K. (McClelland, Moores & Co), Glasgow.

Taylor, G. G. (W. A. Findlay & Co), Dundee.
Terret, L. (F. D. Greenhill & Co), Glasgow.
Tervit, T. (A. C. Philp & Co), Dunfermline.
Thaw, J. C. (Nelson, Gilmour, Scott & Co), Glasgow.
Thomas, K. L. (Hardie, Caldwell Ker & Hardie), Glasgow.
Thomson, D. A. (John M. Geoghegan & Co), Edinburgh.
Thomson, R. D. R. (Graham, Smart & Annan), Edinburgh.
Tough, D. (Miller, McIntyre & Gellatly), Dundee.

Urquhart, M. S. (Thomson McLintock & Co), Glasgow.

Walker, G. A. J. (French & Cowan), Glasgow.
Walker, R. G. F. (Miller, McIntyre & Gellatly), Dundee.
Waters, P. G. (Reid & Mair), Glasgow.
Watters, P. (J. W. Stewart & Co), Glasgow.
Wells, G. H. (A. & J. Robertson), Edinburgh.
Whitefield, J. (Welsh, Walker & Macpherson), Greenock.
Wilkie, I. W. A. (Nelson, Gilmour, Scott & Co), Glasgow.
Williamson, A. N. D. (Wm. Home Cook & Co), Edinburgh.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Results of Examinations held in May 1959

Places and Prizes will be awarded on the combined results of the May and November 1959 Examinations.

FINAL EXAMINATION

PART A

(in alphabetical order)

Andrew, H., Northwich R.D.C.
Austin, G. A., Cheshire C.C.

Banks, N., Castleford B.
Barlow, J. R., Accrington B.
Barrett, D. G., Bradford C.B.
*Barrington, (Miss) E. M., London C.C.
Bate, R. A., Buckinghamshire C.C.
Bishop, J., Lanarkshire C.C.
Bloomfield, D. M., Chelmsford B.
Boar, C. A., Great Yarmouth C.B.
Boardman, H. J., St Helens C.B.
Bradley, J., Salford C.B.
Bristow, J. W. P., Bristol C.B.

Caiger, E. P., Wembley B.
Clark, F. H., Haltemprice U.D.C.
Clark, J. V., Northumberland C.C.
Cook, W. C., Paisley
Cropper, H. A., Oldham C.B.
*Cutting, K. M., Kingston upon Thames B.

Davidson, H. A., Gloucester C.B.
Dobner, F. W., London C.C.
Duncan, J., Lanarkshire C.C.

Eastwood, R. E. N., Crawley D.C.
Edwards, E., Holyhead U.D.C.
Edwardson, A. A., Chesterfield B.

Fagg, A. M., Stamford B.
Francis, J. R., Essex C.C.

Gau, J. R., Chesham U.D.C.
Gibbs, W. M., Swansea C.B.
*Gibson, A., Knottingley U.D.C.
Gibson, A. M., Renfrew C.C.
Gray, J. F., Isle of Wight C.C.

*Hale, R., Lancashire C.C.
Hancock, G. G. A., Wolverhampton C.B.
Hardman, O. A., Mansfield B.
Harris, R. G., Buckinghamshire C.C.
*Harvey, A. J., Kensington M.B.
Hepburn, A. D., Glasgow
Herbert, I., Nottinghamshire C.C.
Hodgson, K. B., Birmingham C.B.
Holloway, P. R., Slough C.B.

Jackson, L. A., Baildon U.D.C.
Jardine, R., Dunbartonshire C.C.
Jarvis, D. A., Central Electricity Generating Board (Eastern Division)
Johnson, H., Barrow C.B.
Johnston, J., Leicester C.B.

Knott, C. H., Southall B.
Knowles, R., Buckinghamshire C.C.

*Lewis, V. K. G., Corby Development Corporation

Malloy, F., Belfast
*Mitton, G., Huddersfield C.B.
Montgomery, W., Airdrie
*Morton, J. A., Manchester C.B.

Nicholls, B. J., Brentford & Chiswick B.
Nutland, K. A. C., Warwickshire C.C.

Osmond, E. J. H., Tredegar U.D.C.

Parkinson, R., Brighton C.B.
Price, D. A. G., Southampton C.B.

Randall, G. H. J., Worthing B.
Robertson, A. A., South of Scotland Electricity Board (Lanarkshire Area)
Rogers, S., Stoke-on-Trent C.B.

Sanderson, M. G. W., Pudsey B.
Sharpe, A. E., Harrow B.
Simpson, R. E., Coventry C.B.
Smith, J., Warrington C.B.
Springham, P., New Forest R.D.C.
Stirton, S. H., West Lothian C.C.
Streatfield, R. A., Edmonton B.
*Sykes, F., Leeds C.B.

Talbot, J. S., Deal B.
Tremlett, P., Plymouth C.B.
*Turner, K., Preston C.B.

Vasquez, C. H. P., Middlesex C.C.

Walls, G. C., Richmond B.
*Watts, J., Derbyshire C.C.
*Webb, D. C., Caterham & Warlingham U.D.C.
Whiteley, P., Brighton C.B.
Wilson, I. C., Motherwell & Wishaw
Worrall, D. A., Sheffield C.B.
Wright, R. B., Slough B.

* Passed Part B (or Part 1) at a previous examination.

PART B

Arnold, W. D., Plymouth C.B.
*Astley, N., Long Eaton U.D.C.

Baker, K., Staffordshire C.C.
*Baker, L. R. T., Leicester C.B.
*Barnes, C. B. B., Bristol C.B.
*Battye, S. K., Yorkshire (West Riding) C.C.
*Billington, R. F., Brentford and Chiswick B.
*Binfield, D. E., Hemel Hempstead B.
*Boulter, A. N., Esher U.D.C.
*Bowman, E., Newcastle C.B.
*Brett, E. F., Worthing B.
*Bridge, K. J., West Ham C.B.

*Burns, N., Salford C.B.
*Burrows, R. T., Welwyn Garden City U.D.C.
*Burton, D. F. G., Chelsea M.B.

*Chivers, R. G., York C.B.
*Chown, R. C., Meriden R.D.C.
*Cocks, P. J., Leicestershire C.C.
*Cranston, D., Lanarkshire C.C.
Crotty, J. J., Beckenham B.
*Culmer, D. F., Farnborough U.D.C.

*Dack, G. E., Bury St Edmunds B.
*Dale, R. V., Crawley U.D.C.
*Dangerfield, D. S., Kent C.C.
*Drury, A. B., Hemel Hempstead B.

*Fallows, F., Bury C.B.
*Fidler, A. O., Reading C.B.

*Gardner, R. A., Plymouth C.B.
*Greenway, D., Northwich U.D.C.
*Greenwood, H., Ulverston U.D.C.

Hanson, J., Bolton C.B.
Hay, B. W., Wembley B.

*Hildick, B. D., Westminster M.B.
Hill, R., Aldridge U.D.C.
*Humphreys, P. W. T., New Forest R.D.C.

*Jackman, R. F., Fulham M.B.
*Jackson, C., Manchester C.B.
*James, C. R., Wallasey C.B.
*Jasper, C. C., London C.C.

*Latham, D., Gloucestershire C.C.
*Lawrie, P. R., Harrogate B.
*Lay, R. S., Hornsey B.
*Lindsay, J. W., Norwich C.B.
*Little, R. G., Manchester C.B.
*Lloyd, J. H., Chislehurst & Sidcup U.D.C.
Long, P. T., Southampton C.B.

*Mackuin, D. W., Scarborough B.
Marks, J. M., Nottingham C.B.
*Metz, B., Lancashire C.C.
*Milburn, S. F., Bristol C.B.
*Miller, A., Nottingham C.B.
*Milton, D. H., Crayford U.D.C.
*Moseley, C. A., Teignmouth U.D.C.
Moss, F. G., Manchester C.B.

*Newbury, D. R., Bristol C.B.
Newman, A. J., Wimbledon B.

*Potter, H. A., Hampshire C.C.
*Probart, G. T. C., Swindon B.

*Quick, J., Woolwich M.B.

*Rangecroft, J. W., Staffordshire C.C.
*Russell, R. S., Glasgow

*Scriven, R., West Bromwich C.B.
*Searle, S. R., Southend-on-Sea C.B.
*Sharman, P. B., Leicester C.B.
*Shaw, R., Sutton-in-Ashfield U.D.C.
*Smith, A. A., Southgate B.
*Smith, D. F., Derbyshire C.C.
*Solloway, C. K., Swansea C.B.
*Stirling, W. N., Midlothian C.C.
*Sutherland, W. J., Glasgow

*Thompson, R., London C.C.
*Thorpe, R. F., Coventry C.B.
*Tomlinson, R. G., Derbyshire C.C.
Tout, G. J., Bridgwater B.

*Wallis, A. O., St Pancras M.B.
*Warren, P., Stockton-on-Tees B.
*Watson, B., Brentford & Chiswick B.
*Watson, J. E., Chesterfield B.
Weldon, R. V., Sheffield C.B.
Williams, W. P. H., Gloucestershire C.C.
*Wilson, G. G., Johnstone
*Wiltshire, J., Nottinghamshire C.C.

*Yarr, D. T., Glamorgan C.C.
*Yates, H. A. P., Rowley Regis B.

* Passed Part A at a previous examination.

Summary of Results

	Intermediate No.	per cent	*Final Part A* No.	per cent	*Final Part B* No.	per cent	*Total* No.	per cent
Passed	123	34	80	30	84	42	287	35
Failed	239	66	187	70	115	58	541	65
	362		267		199		828	

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in June 1959

FELLOWSHIP EXAMINATION

PASSED FELLOWSHIP

Batkin, R. M., Worcester.
Burgess, A., Cheadle, Cheshire.
Cluett, A. J., Bexley, Kent.
Dass, P. N., Pondicherry.
Donald, A. G., Middlesbrough.
Eldridge, C. H., Pinner, Middlesex.
Hunter, J. B., Bulawayo.
Jurgens, C. A., Durban.
Ladd, K. P., Ruislip, Middlesex.
Leigh, A. J., Whitchurch, Glam.
Miles, J. H., Stoke-on-Trent.
Morris, J., Upminster, Essex.
Owen, R. E., Port Elizabeth.
Peard, F. W., Templeogue, Co. Dublin.
Perryer, L. S., Sandbach, Cheshire.
*Rowley, F. W., Accra.
Scotcher, T. A. G., Durban.
Shaw, J. C., London.
Walford, J. A. H., Northwich, Cheshire.
Waller, A. L., Southwold, Suffolk.
Young, A., Dundee.

PASSED PART A ONLY

Viner, D. J. J., Allestree, Derbyshire.

PASSED PART B ONLY

Archibald, E. J., Edinburgh.
Davies, D. S., Bridgend, Glam.
Elliott, L., Virginia Water, Surrey.
Last, D. J., Worthing.
Mossop, A. S. W., Sutton Coldfield.
Spicer, J. E., London.

* *The Lewton Coronation Prize.*

114 candidates sat. Of these, 21 candidates (as listed above) passed, completing the examination; 1 candidate (as listed above) passed Part A only; 6 candidates (as listed above) passed Part B only; 86 candidates failed.

FINAL EXAMINATION

PARTS A AND B

First Place (S. Laurence Gill Prize): Gale, J. F. R., Welling, Kent.

Ball, E. R., Birkenhead.
Barr, D. C., Manchester.
Bunn, M. W., Dudley, Worcs.

Davis, G. F., Willenhall, Staffs.
Day, J. F. F., London.
Droogan, P., Eastham, Cheshire.

Evans, J. G., Romford, Essex.

Gamble, R. J., Alperton, Middlesex.

Haines, V. G., Birmingham.
Hansell, R. E., Norwich.

Joyce, C. W., Stoke-on-Trent.

Krishnaswamy, N., Trichinopoly, India.

Laming, B. J., Enfield, Middlesex.
Lynn, R. J., Antrim.

Machin, J. L., Radcliffe-on-Trent.

Osborn, G. J., Petts Wood, Kent.

Palmer, E. S., London.
Percival, W. H., Waltham Abbey, Essex.
Pugh, R. H. C., Malvern.

Rickwood, C. E., Southall, Middlesex.
Rowe, A. F., Pembroke.

Ryalls, A., Edinburgh.

Smith, J. G., Birmingham.
Smith, P. W. H., Nottingham.
Spain, A. J., Dublin.
Stuart, A. A., Glasgow.

Trow, J., Salford, Lancs.

van der Beek, J. M., Johannesburg.

Waterhouse, J. A. N., Iver, Bucks.
Winter, M. J., Almondsbury, Glos.
Woodhead, G. F., Montreal.

141 candidates sat. Of these, 32 candidates (as listed above) passed Parts A and B; 20 candidates passed Part A only (names included in list); 26 candidates passed Part B only (under that heading); 63 candidates failed to secure any pass.

PART A (COMPLETING FINAL)

Appleby, J. W., Manchester.
Armour, E., Leamington Spa.
Atkinson, R. A., Manchester.
Atley, M., Darlington.

Balfour, D. T., Liverpool.
Ball, M., Kirkby-in-Ashfield, Notts.
Banerjee, B. K., Howrah, India.
Barham, A. F., Horsham.
Barlow, G. K., Warrington.
Barlow, J., Coventry.
Barnett, D. H., Swindon.
Barratt, W. R., Malvern.
Barrett, J., Wolverhampton.
Berry, C. R. V., Swindon.
Berry, J. M., Burnley.
Bery, J. P., Delhi.
Bhogra, K. S., Kharar, India.
Bisschoff, J. F., Benoni, South Africa.
Blackwood, J. L., Glasgow.
Blott, C. G., Biggleswade, Beds.
Boland, H., Auchinleck, Ayrshire.
Bolton, N. H., Wallasey.
Bowen, E. G., Port Talbot.
Bowen, J. J., Cork.
Bracken, E., Manchester.
Brookes, C., Wakefield.
Buffin, D. H. L., Hillingdon, Middlesex.
Bullers, D., Sheffield.
Burnett, G. A., Glasgow.
Burston, L. E., Burton-on-Trent.

Cairns, P. G., Birmingham.
Carroll, F. P., Bolton.
Carroll, K. A., London.
Childerley, H., Peterborough.
Clarke, A., Northampton.
Clarke, R. H., Saxilby, Lincs.
Cooke, R. P., Toronto.
Coote, P. E., Leicester.
Coree, E. D., Youghal, Co. Cork.
Cottrell, P. R., London.
Couch, P. G. A., Glasgow.
Cox, J. D., Middlesbrough.

Dance, F. R., Beaconsfield, Bucks.
Dean, R. A., Brighton.
Denby, C., London.
Dewberry, A., Peterborough.
Dhupia, S. S., Glasgow.
Douglas, A. A., St Albans.
Dyer, L. R., Widnes.

Edwards, E. D., Newport, Mon.
Elliott, L., Scunthorpe.
Errington, J. W., Reading.
Evans, J., Bilston.

Farley, J. E. B., Ingatestone, Essex.
Finch, V., Ormskirk, Lancs.
Forrester, D. A. R., Glasgow.
Fowler, H. L., Harrogate.
Friedenthal, G. L., Preston.

Gardner, A. E., Pontefract.
Goodwin, E. R., Leicester.
Goodwin, S. T. E., Stoke-on-Trent.
Green, M. P., Ipswich.
Greig, B. J. N. (Miss), Cape Town.
Groom, G. F., Scunthorpe.
Gurumoorthy, R., Bombay.

Head, B. C., Chatham.
Higginbotham, G. A., Manchester.
Hilton, A. V., Oldham.
Hodson, G. H., Welwyn.
Hoey, R., Glasgow.
Holmes, T. R., Oldham.
Hooker, G. A., Harrogate.
Horton, K. A., Wolverhampton.
Humphreys, E. C., Nottingham.
Hunt, N. T., Darwen, Lancs.

Jack, H., Glasgow.
Jackson, D., Chester.
Jagger, B. D., Bradford.
Jenkins, D. E., Tynemouth.
Johnson, R. E., Swanley, Kent.
Jones, M., Penygraig, Glam.
Jones, T. H., Leamington Spa.

Kimber, N. G., Ferndown, Dorset.
Klesel, C. W., Isleworth, Middlesex.

Lakshminarayanan, S., Ahmedabad, India.
Langston, E., Bilston.
Laturner, B., Leigh, Lancs.
Liddell, E. A., Edinburgh.
Lidster, P., Hereford.
Linskill, L., London.
Lockwood, J., Calabar, Nigeria.

MacEachern, I. F., Alexandria, Dunbs.
McGregor, H., Wallsend-on-Tyne.
Mackay, S. C., Birmingham.
Maber, H. E., Staines, Middlesex.
Manning, W. E. G., Stanmore, Middlesex.
Marghoob, M. A., London.
Marritt, C. J., Greenford, Middlesex.
Marshall, J. H., Belper, Derbyshire.
Martin, R. W. F., Southall, Middlesex.
Masey, D. H., Greenock.
Massey, A., Liverpool.
Mercer, J. K., Bolton.
Mettam, R., Chesterfield.
Millns, R., Doncaster.
Mitchell, K., Penygraig, Glam.
Mitchell, R. G., Billericay, Essex.
Mitten, D. C., Alvechurch, Worcs.
Moffat, G. K., Strathaven, Lanarkshire.
Moger, S. J., Bridgwater, Somerset.
Montgomery, C. H., Sale.
Mookerjee, D., Howrah, India.
Moon, R., Barrow-in-Furness.
Morley, C. T., Hendon.
Morton, F. B., Bolton.
Mott, D. A. S., Chelmsford.
Murphy, T. D., Purley, Surrey.
Murray, D. W. A., Barnet, Herts.

Neaves, M. J., Colchester.
Nichols, A. E., London.
Nock, L. R., Wellington, Shropshire.

Osterloh, D. R., Gatooma, S. Rhodesia.

Pearson, S. McK., Newton Aycliffe, Co. Durham.
Poultney, G. J., Leicester.
Pountney, A. M. T. (Miss), Walsall.
Prasad, L. S., London.
Prince, C. J., London.

Radhakrishnan, C., Rourkela, India.
Reid, R., Glasgow.
Reveler, A., Liverpool.
Rider, J., Bradford.
Roberts, N., Withernsea, Yorks.
Robins, A. D., Wallington, Surrey.
Robinson, C. D., London.
Rowland, P. C., Bristol.
Rutter, J. A., Darlington.

Sanford, L. T., Wednesfield, Staffs.
Seal, E., Leeds.
Shah, N. B., London.
Simpkin, W. R., Manchester.
Smith, F. H., London.
Snowdon, H. S., Stockport.
Springford, H., Wembley.
Srinivasan, V. I., Madras.
Stewart, G. M., Bridge of Allan, Stirlingshire.
Stockley, J. A., Chesham, Bucks.
Storey, D., Middlesbrough.
Stroh, G., Pretoria.
Stubbs, R. J., Slough, Bucks.
Sweeney, W. F., Southport, Lancs.

Tarn, R. T., Dundee.
Taylor, A. J. B., Stourbridge.
Thomas, R. J., London.
Threlfall, D. F. O., Lancaster.
Turner, G. A., Barnsley.

Wallace, R. A., Rochester, Kent.
Walsh, C., Dundalk, Co. Louth.

Walton, J. D., Leeds.
Webb, G. A., Solihull, Warwickshire.
Weston, D. E., Ilford, Essex.
While, P. G., Nuneaton.
White, J. D., Salisbury, S. Rhodesia.
Wike, E., Barnsley.
Wilcock, J., Sale.
Wild, J., South Shields.
Willetts, B. A., West Bromwich.
Williams, G. S., Upminster, Essex.
Willis, S. B., Tollerton, Notts.
Wilson, J., Blackburn.
Wookey, C. J., Hayes, Middlesex.
Wootton, C., Stonnall, Staffs.

Zaidi, H. I., Swinton, Manchester.
Zeman, O. J., Ash Vale, Surrey.
Zylstra, B. A., Ewell, Surrey.

594 candidates sat. Of these, 174 candidates (as listed above) passed; 420 candidates failed.

PART B (COMPLETING FINAL)

Adams, T. S., Northwood, Middlesex.
Anders, W. J., Southampton.
Ashraf, M., Karachi.

Bannerman, G. M., Cumnock, Ayrshire.
Bennett, B. J., Southampton.
Boardman, D. C., Warrington.
Bradbury, W. G., Coventry.
Brown, B. M., Southampton.

Cameron, A. McL., Glasgow.
Camilleri-Ebejer, A. H., Malta.
Catto, G. G., London.
Chatterjee, R., London.
Clarke, J. V., London.
Clissold, B. P., Erdington, Birmingham.
Counsell, R. E., Birmingham.
Crookston, D. A., Edinburgh.

Davies, A., Cardiff.
Dawson, J., Walsall.
Downer, M. S., Pinner, Middlesex.

Ellis, A. E., Uxbridge, Middlesex.
Evans, E., Wolverhampton.

Farrugia, C. L., London.
Fox, J. C., Lancaster.
Frampton, J. T., Hertford.

Gillard, T. J., Oldbury, Worcs.
Gregory, L., London.

Hawkesford, R. A., Birmingham.
Heath, G. F., Hillington, Middlesex.
Hockley, P. F., Newcastle upon Tyne.

Jay, R. W., Bristol.

Lacy, D. A., West Monkseaton, Northumberland.
Lorys, J. J., London.

McCormick, W. R., Giffnock, Renfrewshire.
Marshall, R. M. J., Erdington, Birmingham.
Martindale, H., St Helens, Lancs.
Matheron, E., Amsterdam.
Myint, M. T., London.

Nagpal, B. D., Allahabad, India.

O'Hea, D. M., Ilford, Essex.
Ostick, J. E., Sutton Coldfield.

Payne, J. L., Bristol.
Pollock, D. A., Glasgow.
Preece, E., Leeds.
Pyatt, T. H., Crewe.

Raishbrook, D. R., London.
Rayner, N. F., Arkley, Herts.
Reddock, J. B., Glasgow.
Richens, B. J., Sedgley, Staffs.

Scott, J., Newcastle upon Tyne.
Shepherd, F. T., Dursley, Glos.
Strong, B. M., London.

Thakar, A. S., Glasgow.
Thompsett, C., Birmingham.
Turner, I. S., Southampton.
Tyler, H. R. E., London.

Veitch, J., Glasgow.

Waterhouse, R. D., Bradford.
Whatman, A. B., Preston.
Whatton, S. J., Bromley, Kent.
Wilson, A., Buckden, Hunts.
Wilson, P. W., Rotherham.
Wood, E. M., Huddersfield.

127 candidates sat. Of these, 62 candidates (as listed above) passed; 65 candidates failed.

Summary of Results

Grade	Passed Completing Examination	Passed Intermediate Part I only	Passed Part A only	Passed Part B only	Passed Total	Failed	Number of Candidates
Fellowship	21	—	1	6	28	86	114
Final: Parts A and B	32	—	20	26	78	63	141
Part A (Completing Final)	174	—	—	—	174	420	594
Part B (Completing Final)	62	—	—	—	62	65	127
Part A (only)	—	—	39	—	39	108	147
Part B (only)	—	—	—	259	259	512	771
Total	268	—	59	285	612	1,168	1,780
Intermediate: Parts I and II	113	155	—	—	268	264	532
Part I	—	596	—	—	596	1,082	1,678
Part II	468	—	—	—	468	964	1,432
Total	581	751	—	—	1,332	2,310	3,642
Preliminary	60	—	—	—	60	174	234
Grand Totals	930	751	60	291	2,032	3,738	5,770

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CONTENTS

Moulding Monetary Policy

'OUR report is not to be understood as if it were a judgment passing a verdict upon the use of monetary measures in our society. Nor is it to be searched for the revelation of new or improved devices with prescriptions for their use. . . .' These sentences might well have opened rather than concluded the report of the Radcliffe Committee[1] (briefly noted in last week's issue), for any informed observer of the monetary system hoping for important disclosures or significant proposals is likely to be disappointed, although there are some new and interesting statistics. Nevertheless, the authoritative report is to be welcomed since it undoubtedly provides a basis for renewed discussion of the role of monetary policy in an economy in which full employment is not only economically desirable but a political necessity, and in which controls, directives and fiscal policy are additional weapons in the economic planner's armoury.

When, after almost twenty years of neglect, Bank rate was revived as a means of achieving economic stability, it was obvious that the classical analysis as set out in the Macmillan report in 1931 was irrelevant to the post-war age. Furthermore, opinion on the efficacy of Bank rate and the 'credit squeeze' as contra-inflationary measures was sharply divided. The Radcliffe report has now provided an answer from which both the advocates and critics of monetary policy may derive some satisfaction. The committee was 'driven to the conclusion that the more conventional instruments (i.e. Bank rate and open-market operations) have failed to keep the system in smooth balance'. Any success in suppressing inflationary forces during the past year was attributable to the hire-purchase controls and the various restrictions on borrowing. The efforts of the Capital Issues Committee are excluded from this comment since its 'effect was negligible to the point of irrelevance'. The committee does not favour frequent changes in Bank rate as a method of credit control, but it is forced to acknowledge – in view of the evidence before it – what MR MONTAGU NORMAN (as he then was) described before the Macmillan committee as the 'psychological' effect on both foreign and domestic opinion of such changes.

There is, however, support for monetary policy as one of several methods of maintaining economic stability. Emphasis is placed upon the key role of 'liquidity' rather than the 'supply of money' within the economy. The clearing banks' 30 per cent liquidity ratio should, suggests the committee, be formally

[1] *Report of the Committee on the Working of the Monetary System.* Cmnd. 827. H.M.S.O. 15s net.

recognized just as the 8 per cent cash ratio has been in the past, as the basis of control. By operating on the liquidity of the financial institutions and firms the authorities will affect the structure of interest rates.

The key to the effective conduct of credit policy is to be found in the dominant position of the authorities in the short- and long-term capital markets. The Treasury bill dominates the money market while the National Debt Commissioners and the extra-budgetary funds can be deployed to ensure a structure of interest rates appropriate to the needs of the economy. While the committee concludes its analysis of the workings of the money and capital markets with favourable verdicts, there are minor criticisms. The syndicated tender for Treasury bills from the discount market is considered contrary to the public interest since it restricts competition. The committee concedes that there is no ground for supposing it provides, at the Government's expense, unreasonably high profits for the market and, in view of the stabilizing influence on short-term rates of this practice, there is no case for deliberately disrupting it. The committee does not, however, pass any judgment on the situation such as arose in 1957–58 when the Treasury was paying 6 per cent and more on its tender bills, nor does it seriously discuss the revival of the Treasury Deposit Receipt in such conditions.

The activities of the Government Broker in the bond-market are regarded 'as among the most important of central banking operations', but the committee finds 'unacceptable the present customary announcement of full subscriptions' to issues which are in fact taken up by the departments. It would have been relevant and more interesting if the committee had given an account, together with comments, of the employment of the extra-budgetary funds and those of the Issue department during the halcyon days of DR DALTON's cheap money drive. The reader might then feel rather more confidence in the recommendation that

> 'the authorities should not aim at stability of interest rates, but should take a view as to what the long-term situation demands and be prepared by all the means in their power to influence markets in the required direction'.

Just like DR DALTON? Although the committee recognizes the role of interest rates in influencing the direction and level of investment in a free economy, it rather surprisingly, in the light of the experience of recent years, advocates that local authorities and the nationalized industries should not be subject to market forces but borrow through the Treasury. In contrast with their concern for these bodies, the committee considers that while the small firm may still be handicapped in raising capital, there is no evidence that the Macmillan 'gap' still exists. Many accountants and the spokesmen for the trades associations are of a different opinion.

In view of the debate on the Bank rate Tribunal's findings, it is noteworthy that the committee supports the Bank of England's practice of appointing part-time directors with banking interests. Any risk of divided loyalties would be avoided in the future if the committee's most publicized recommendation were to be adopted. This is for a new standing committee to be created with representatives from the Treasury, the Bank and the Board of Trade under the direction of the CHANCELLOR. This body would recommend and announce changes in Bank rate which would then be seen to 'be a decision of the CHANCELLOR and conveyed as such'. While any recommendation of the Radcliffe Committee deserves respect, it is not clear how this proposal will improve the technical control of the monetary system. The relationship between the Treasury and the Bank is quite well understood both in this country and abroad; ten years before nationalization, LORD NORMAN was conceding in public the readiness of the Bank to perform the Government's will. Indeed, this proposal might well weaken the status of the Bank in foreign eyes; there is surely no need to emphasize the fact that, in SIR STAFFORD CRIPPS's phrase, the Bank is the 'creature' of the Government.

The very strong plea for more information and statistics relating to the monetary system and the Bank's activities is to be welcomed. American witnesses pointed out that the Federal Reserve System was not handicapped by the voluminous information it publishes; neither will the Bank if it makes a proper annual report and return. It is high time that the cult of the 'hidden hand' was abandoned. This may well be the major positive contribution that the Radcliffe Committee has made.

Radcliffe Committee Proposals

THE Radcliffe report does not include any summary of conclusions or list of recommendations because, states the committee, 'to do so would not do justice to its main themes'. We have therefore extracted the committee's main suggestions which are as follows:

Bank of England. Its dominant role in financial affairs and its skill in the conduct of monetary operations is recognized. The committee endorses the appointment of part-time directors in an advisory capacity. Main policy decisions, e.g. changes in Bank rate, should be taken on the advice of a new standing committee on monetary policy which would comprise representatives of the Treasury, the Bank and the Board of Trade. This would clarify in the public's mind the Government's responsibility for monetary policy.

The meagreness of the Bank's annual report has 'become a byword' and it should be expanded to cover matters such as forward exchange rates and movements of short-term funds, as well as fluctuations in business liquidity, new capital issues and consumer credit. The Bank's weekly return, which dates from 1844, should be replaced by the regular and frequent publication of certain key statistics such as bankers' deposits, holdings of Treasury bills, and Government bonds – these being analysed by maturity. The head of the intelligence department should be made an executive director.

Discount market. Greater competition should be permitted from bodies outside the market at the weekly tender for Treasury bills. The committee does not, however, consider it necessary for the practice of discount houses syndicating their offers to be stopped.

Commercial banks. The present 8 per cent ratio of cash to deposits is accepted today with 'almost rigid strictness'. The committee recommends that the 30 per cent liquid assets ratio should 'be made absolutely explicit', but not necessarily by law or by directive. The Scottish banks should follow the English banks' practice of publishing their cash and liquidity ratios, while all the banks should publish 'cleaner' figures of deposits and advances, i.e. analysed figures of group items showing the banks' actual liabilities and the actual borrowing from the banks by the public.

Liquidity controls. The regulation of the volume of bank credit is provided by the imposition of restrictive measures on the banks' liquid position, such as the Government's plan for 'special deposits' or variable reserve ratios. No single method is specifically recommended, but the committee points out that if such limitation on the banks' lending activities are imposed, then both equity and considerations of efficiency will demand corresponding limitation of the lending activities of hire-purchase finance houses, building societies, etc.

Interest rates. The committee discounts the economic effects of changes in the short-term rates of interest (for example, upon traders' stocks), but lays emphasis upon the impact on investment decisions and liquidity preference of firms and institution of changes, actual or expected, in the long-term rates. Control of these rates should usually be exercised through the management of the National Debt and not by frequent changes in Bank rate.

Controls and directive. Should there be risk of 'headlong' inflation, the authorities may need to supplement the conventional stabilization methods, such as monetary and fiscal policy, by 'emergency' measures such as the imposition of controls on hire-purchase, bank advances and capital issues. In other words, monetary policy should not be used in isolation to check a deteriorating economic situation.

Local authorities. The committee is of the opinion that since the facilities of the Public Works Loan Board were withdrawn some years ago, local authorities have been forced to pay 'too high rates' in the market for their borrowing. The committee recommends that these facilities should be restored so that, in effect, the Exchequer will provide the capital requirements of local bodies at gilt-edged rates.

Nationalized industries. While these bodies should continue to use ordinary bank advances for their temporary needs, long-term capital should be met, as at present, by the Treasury.

Agricultural finance. Existing credit facilities for farmers are adequate but the banks should be ready also to make medium-term, as opposed to the present short-term, loans at market rates of interest.

Finance for small businesses. As with farming, the supply of capital to the smaller business is deemed adequate, but medium-term loans should be available from the banks. The committee recognizes, however, that finance for the commercial exploitation of an invention by a small firm may be difficult, if not impossible, to obtain. It suggests the creation of a Government-sponsored Industrial Guarantee Corporation which would facilitate the supply of capital in such cases, but only for the commercial exploitation of the invention, not for research or development.

Export finance. Longer export credit guarantees than are at present available from the Export Credit Guarantee Department may be desirable but should normally be provided by existing financial institutions. If the latter cannot meet this need, then the Government should consider creating an Export Finance Corporation. The committee stresses that any long-term credit facilities should not be used for export promotion.

Accountants' Working Papers in Canada

by JOHN SMURTHWAITE, A.C.A., C.A.(Canada)

CANADIAN accountants subscribe to the North American school of thought which prescribes the balance sheet approach to auditing for a mercantile or manufacturing company. The balance sheet audit, with its emphasis on the review of internal control and verification of assets and liabilities with analyses of certain income and expense accounts, produces a set of working papers entirely different from those usually seen on an English audit.

It should be said about the North American school of thought that, although the auditing emphasis is placed upon the balance sheet, the accounting thought is placed upon the profit and loss statement. The opposite holds true in England, where the accounting thought is placed upon the balance sheet and the auditing emphasis on the profit and loss statement.

Organization of Working Papers

In the accountants' world it would be unusual for audit working papers to be organized in any other fashion than in three basic files, a permanent file, a current audit file and a tax file with, of course, special files for special subjects. Canadian accountants follow this practice and in consequence it is proposed to discuss audit working papers under the basic file headings of permanent file and current file. Although the tax file is in reality part of the audit working papers this will not be discussed in this article because the pecularities of the Canadian taxation system are sufficient to render comparison impossible in a short space.

Most Canadian accountants have developed systems of arranging and indexing their working papers; such systems are designed to suit the needs of each particular office and so vary considerably; even within one firm each office may have a different system in operation.

Permanent File

Legal decisions made about the turn of the century have a heavy influence upon English auditing practices and these are reflected in the working papers, particularly those contained in the permanent file.

English legal decisions have not been imported *in toto* into Canada; nevertheless, they have a discernible influence on Canadian auditing practices. This influence has, however, been heavily overshadowed by native Canadian decisions and, of course, those rendered south of the border.

One of the strongest influences exerted on North American accounting thought is that of the American Securities and Exchange Commission, through their regulations and review of statements submitted to them, as well as the quasi-legal decisions recorded in their investigations into such cases as that of *McKesson and Robbins*.

The Canadian permanent file differs somewhat in content from the English one. The typical Canadian file may be found to contain extracts of the letters patent and bye-laws of a corporation, printed indenture of any long-term indebtedness, extracts of minutes of directors' and shareholders' meetings, extracts of agreements and contracts, memoranda on accounting principles and significant decisions agreed upon between client and accountant, organizational charts and flow charts, general audit comments, lists of approving and signing officers, and lastly, classified summaries of selected locations, months and periods for detail checking.

In Canada the same importance is not placed upon an exact knowledge of the letters patent and bye-laws of a corporation – the documents most nearly corresponding with the memorandum and articles of association – because the objects clause of most companies (following the Companies Act) is widely enough drawn to permit the directors of a corporation wide discretion in their acts. Extracts only are reproduced, because most companies do not have their letters patent and bye-laws printed, since this is not required by Canadian law.

Details of the history of a company are not usually found in Canadian permanent files and thumbnail sketches of principal personalities would be still more unusual. This is probably due to the usual critical review of internal control procedures which relegates personalities to secondary importance.

Current Audit File

A feature of Canadian auditing is the review of internal control. This is conducted at the commencement of each audit and usually once a year thereafter on a continuing audit engagement.

This review is made with the assistance of a previously developed questionnaire on internal control which may take several forms. The most popular questionnaire employs a simple 'yes' or 'no' type answer basis; 'no' answers indicating a weakness in internal control where the audit programme may be strengthened or modified, as circumstances dictate. Another form of questionnaire utilizes flow charts to produce similar information graphically. A combination of these methods may also be employed.

The usual type of questionnaire has been built up over the years from the general experience of many accountants, so that the questionnaire of one firm develops much the same kind of information as the questionnaire of another firm. A survey on internal control and its influences on auditing practices, published by the American Institute of Certified Public Accountants, tends to confirm this.

One kind of questionnaire is composed of four parts; the first part being designed to develop general audit information; the next, the largest and most important part of a balance sheet audit, produces information about each asset and liability under the usual balance sheet headings, starting with the manner in which each asset or liability arises and its control and recording in the records of the company; the third part considers income and expenditure; the fourth part is designed to produce an assurance that all audit matters have been dealt with before statements are issued.

The backbone of the current audit file is nearly always the trial balance, which is used for assembling balances for presentation in the financial statements, and as an index to the working papers, though this is only one of several methods.

In the best Canadian practice, at least one working paper will be produced in support of each balance sheet item, or where items are grouped on the balance sheet, for each balance comprising the grouping. (This is not general to all accountants but is, as stated, the best practice.)

It is the aim of the working papers to show not only the make-up of any particular item, but also to indicate the extent of the audit work performed in verification of the balance. This information as a supplement to the audit programme can be most valuable. It assists in staff training in that it visibly relates the audit tests being performed to the balance which the tests are intended to verify; it assists the audit reviewer in judging the scope and adequacy of the audit work performed; and it can be of great help in a Court action where the accountants may be called upon to testify.

Asset Working Papers

Working papers supporting current assets are usually prepared to present an analysis of the asset at some particular date in time, usually the balance sheet date, but also in some cases at the end of interim test months.

Working papers are usually only prepared at interim months, rather than at year-end, on larger audits that are free from violent business fluctuations and where there is a tight deadline date, provided that internal control and the records kept permit this procedure. Though where papers have been prepared at an interim date, they will be individually reviewed at year-end to ensure that conclusions reached at the earlier date are still applicable at statement date.

It is not unusual to find that even bank accounts, other than major bank accounts, are reconciled only at an interim date. Other working papers on current assets that might be prepared at an interim date are those on trade debtors (to allow time for dispatch and return of confirmations) and stock-in-trade.

Due to the critical importance of current assets (and, of course, current liabilities) in the balance sheet audit (since any profits or losses made will largely be reflected here) the analyses made are extremely detailed, with all items being fully vouched over a certain minimum.

Working papers on assets, other than those of a current nature, are drawn to show all increases or decreases in the asset over the period of the audit, picking up the balance of the asset account as at the last balance sheet date and relating this opening balance to the prior year's audit working papers. All acquisitions and dispositions of assets will be vouched over a certain minimum figure.

Where income is received from assets other than those of a current nature (such as dividends or interest income from investments) or some direct expense accrues as a result of utilization (such as royalties on depletion of ore reserves in a leased mine), this information will be developed on the working paper of the asset to which it applies.

Liability Working Papers

In the case of current and long-term liabilities, the working papers are drawn to present the relevant information in much the same way as for current and non-current assets respectively. The main point of interest is that provisions and reserves (the word 'reserves' is used in the

English sense) shown in this part of the working papers include a test of adequacy.

Working papers on share capital and long-term debt are not nearly so detailed as those in England, as most public companies employ a trust company as registrar and transfer agent for their capital stock, and trustee for their bond- and debenture-holders. In this case, confirmation with the trust company provides a satisfactory alternative to the detailed audit work otherwise necessary.

Very few working papers are produced on profit and loss account items, generally these will be on items which are regarded as significant, or on items which are required to be shown in the statements by law, such as directors' fees. This is in direct contrast with England, where the majority of working papers produced relates to the profit and loss section of the financial statements. As an instance, detail of sales by month by main product classification is not always reproduced in Canadian working papers, though this is useful for helping to spot a 'window-dressing' operation and unseasonal variations in sales that might require investigation.

Working Papers Review

Perhaps the most interesting feature of Canadian audit practice is the review of the audit working papers conducted by the principal or partner in charge of the audit. The American Securities and Exchange Commission has been highly critical of the audit review in several cases, of which the *Interstate Hosiery Mills Inc* case and the *McKesson and Robbins* case are perhaps the best known. This criticism was not lost upon most North American accountants.

The purpose of the audit review is to see that the working papers have been integrated with the financial statements, that the audit work performed is sufficient basis upon which an opinion may be formed of the accuracy of the financial statements and, in this connection, to analyse in a searching manner the ultimate facts developed in the course of the actual audit. The reviewer's notes are also of value for the staff training they provide in accustoming new accountants to the routine of a particular firm, and in the prevention of slipshod work.

Because of the importance of the audit review, the person making the review should be independent of the actual audit work and preparation of the financial statements.

In reviewing the audit working papers, the reviewer will first of all examine the questionnaire and accountant's notes on internal control procedures and relate any significant points to the audit programme to see that this has been satisfactorily modified or extended. The audit programme is examined to see that it is adequate and that all tests prescribed have been completed. The permanent file is examined to see if there are any new points of audit significance that have been raised during the year, and for salient features from prior years which must be kept in mind.

In examining the current file, the reviewer relates each working paper to the trial balance and to its classification for balance sheet or profit and loss account purposes. Each working paper is examined critically to ensure that none of the points brought out by the examination have been overlooked, and perhaps more important, that all points that should have been brought out, have, in fact, been brought out. As a matter of routine the reviewer will look to see that all check marks have been appropriately keyed up, and that all calculations have been made correctly. Part of a reviewer's job consists of looking to see that a logical approach has been followed, of suggesting alternative procedures where satisfactory results have not been achieved, of seeing that no unwarranted assumptions have been made by the accountant in charge, and that no unnecessary audit time has been spent.

At the end of the review, the reviewer will have produced a series of notes to be cleared by the accountant in charge before the statements are issued.

It will be seen that the working paper review in Canada is much more than the series of often perfunctory questions as to the performance of various items in the audit programme usual in England, and most important of all, it makes the working papers work.

Management Letters

Many Canadian accountants follow up their audit by writing a formal letter to their client, termed a 'management letter'. This letter details significant internal control deficiencies, and suggested remedies; it reports errors of importance, particularly where these are due to a failure in internal control. Other points of interest developed during the audit may also be discussed in this letter. It will be seen that this is a most useful service to provide to a client, and one which serves to remind him of the value of an audit. It would be difficult to provide this service, however, were it not for the comprehensive working papers of most Canadian accountants.

Cotton Industry Reorganization

INLAND REVENUE MEMORANDUM

THIS memorandum, which has been agreed between the Board of Inland Revenue and the cotton industry, explains the Revenue's view of the provisions of the law relevant to the special taxation questions that arise in connection with the cotton industry reorganization schemes and the approach which the Revenue will adopt in administering these provisions. It must, however, be stressed that the determination of a taxpayer's liability under Schedule D is legally the responsibility of the appropriate body of General Commissioners (or the Special Commissioners) subject to the right of appeal to the Courts.

Compensation for Redundant Employees

2. Statutory levies payable to the employees' compensation fund will be deductible in computing profits for tax purposes, whether or not the concern paying them closes down, provided a concern which closes down was, before it ceased to trade, under a legal liability to make the payments. If, in addition, a concern makes some payments by way of compensation direct to redundant employees, these payments also will be deductible in computing profits if the concern continues to trade, but not if it goes right out of business.

3. In general, employees of whatever grade will not be treated as chargeable to income tax on payments received from the employees' compensation fund. The only exception to this general rule is that, where an employee's service with his employer is governed by a written contract of service, the question whether any compensation payment he received was liable to tax could not be answered without consideration of the precise terms of that contract.

The taxability of payments of compensation received by employees direct from their former employers depends on the precise facts of each case. In the absence of knowledge of the circumstances in which such payments might be made, it is not possible to give any ruling.

Compensation for Scrapping Plant

4. Compensation payments from a redundancy fund will not be taken into account for the purpose of arriving at any balancing allowance or balancing charge under Part X of the Income Tax Act, 1952. For the purposes of Part X any sum realized on the sale of scrapped or dismantled plant will be compared with its income tax written-down value. If the sums so realized are less than the written-down value a balancing allowance will be given on the difference; if they exceed it there will be a balancing charge on the excess. Similarly, in the case of a building less than fifty years old, there will be a balancing allowance equal to any amount by which the proceeds of sale etc. fall short of its residual value; if the proceeds exceed the residual value there will be a balancing charge in an amount either:

(a) equal to the excess, if the building has had industrial buildings allowances continuously since it was first put into use or since a change of ownership after April 6th, 1946; or

(b) equal to a fraction of the excess in any other case – e.g. if the building was in use at April 6th, 1946, and has not changed hands since that date a fraction depending on the age of the building at April 6th, 1946.

5. Contributions to the compensation fund are allowable as a deduction in computing profits for tax purposes – subject to paragraph 7 below.

6. Part XXIII of the Income Tax Act, 1952, makes a trader's receipts from a compensation fund prima facie liable to tax, but where the receipts exceed his contribution to the fund it provides for relief according to a formula on a proportion of the excess in respect of so much of the compensation receipt as can be shown by the trader to be fair compensation for damage for which no income tax relief can be given, e.g. loss of goodwill. To the extent that a receipt represents compensation for damage for which income tax relief can be given, it in effect remains taxable under Part XXIII. In relation to the proposed scheme for the cotton industry the commonest instances of damage for which income tax relief can be given will be losses directly attributable to the scrapping of plant, e.g. the difference between its scrap value and its value if it had not had to be scrapped, and losses on buildings under fifty years old. Statutory levies payable to finance the employees' compensation fund will be left out of account for the purpose of Part XXIII, but any compensation paid by a concern to its employees direct will, if the concern continues in business, be taken into account as damage for which income tax relief can be given.

7. Where a concern continues in the industry, it may receive compensation while it has contributions yet to pay in the future. In these circumstances only the amount of contributions so far paid is looked at in determining whether some part of the compensation receipt may be relieved from tax, but later an appropriate proportion of the contributions is disallowed for tax purposes, the total disallowances being limited to the amount of any relief given on the compensation. (See example 2.)

8. To recapitulate, the extent of relief under Part XXIII depends (a) on the excess of compensation received over levies paid, (b) on the amount of fair

compensation for damage for which no income tax relief can be given. Where, since April 23rd, 1959, there has been a change in the legal owner of the assets to be scrapped, it must depend on the facts of the case what, if anything, can be said to be fair compensation under (*b*). The Revenue would have to consider whether in such a case the new owner of the assets could properly be said to have suffered any damage for which he was being compensated; if there was no such damage the compensation would appear to be liable to tax on its whole amount. Where, however, there has been no change in the legal ownership of the assets since April 23rd, 1959, the fair compensation under (*b*) will be taken as the amount by which a compensation receipt exceeds the loss on plant or on buildings under fifty years old and any amount which falls, as a consequence of scrapping the assets, to be deducted in computing profits for tax purposes (e.g. compensation paid by a continuing concern direct to employees). In cases where there is no intention of replacing the scrapped plant the Revenue will not claim that the loss directly attributable to the scrapping is more than the amount by which the proceeds of the scrapping fall short of the income tax written-down values of the plant and buildings under fifty years old (if any). The proceeds of scrapping are taken to include both receipts on sale of plant for scrap and the receipts from any sale for use elsewhere of ancillary plant. Thus in the ordinary case the loss directly attributable to the scrapping will be taken as equalling the balancing allowance, if any, which arises on disposal of the plant, but special consideration may have to be given to the treatment of a balancing allowance or charge in respect of plant eligible for compensation which is sold for re-use elsewhere so that no compensation is in fact paid in respect of it.

9. A concern may receive its compensation after it has ceased to trade. In that case the compensation is treated as having been paid on the last day of trading for tax purposes.

10. Relief is given, where a trader's receipts from the compensation fund exceed his contribution, on a proportion of the excess. The proportion is for practical purposes equal to the fraction

$$\frac{\text{Compensation for damage not attracting income tax relief}}{\text{Total compensation}}$$

Suppose that for every £100 of compensation £10 represents the amount by which the proceeds of scrapping fall short of the income tax written-down values of plant and any buildings under fifty years old, that the recipient of the payment pays no compensation direct to his own employees and has (i) contributed nothing to the fund, (ii) contributed £30 for every £100 received.

(*a*) The excess over contribution is the whole £100. Relief will be given on £90 (90/100 × £100). £10 will be taxable. The trader will get a balancing allowance of £10.

(*b*) The excess over contribution is £70, being £100 − £30. Relief will be given on £63 (90/100 × £70), so that £37 of the compensation will be taxable. The trader will get relief on £40, viz. £30 by way of a deduction for his contribution in computing his profits and £10 by way of a balancing allowance.

11. Of the following examples the first two illustrate the computation of tax liability in respect of compensation, and examples (3), (4), (5) and (6) illustrate how the liability on compensation is combined with the trading result and balancing allowances or charges.

Examples

(1) During this year company A. pays a levy of £1,000, scraps its only mill and goes out of business. It receives compensation of £10,000. Its plant and machinery has an income tax written-down value of £1,000, and the proceeds of scrapping are £500. Its building is in the main over fifty years old, but an extension was constructed in 1947; of the expenditure on constructing the extension £2,000 has not yet been allowed for tax purposes. It sells the whole building for £1,500 and £500 of this is apportioned to the extension.

The levy of £1,000 is deducted in computing the profits of the final year.

There are balancing allowances of:

	£	
For plant and machinery . .	500	(£1,000 less £500)
For buildings	1,500	(Residual value of £2,000 less £500)
	£2,000	

The compensation exceeds the levy by £9,000. The compensation for damage for which no income tax relief can be given is £8,000, i.e. £10,000 less loss on plant and buildings. The part of the compensation relieved from tax is therefore £8,000/£10,000 × £9,000, i.e. £7,200, leaving £2,800 taxable.

In this case any compensation which the company paid its staff on ceasing business would not be deductible in computing profits for tax purposes and the liability in respect of the receipts from the redundancy fund would be unaffected thereby.

(If the proceeds on scrapping plant and on disposing of the building came to more than the income tax written-down values the whole £9,000 by which the receipt from the compensation fund exceeded the levy would be exempt from tax, but there would be balancing charges under Part X of the Income Tax Act, 1952.)

(2) Company B., which continues in the trade closes down one mill, pays (apart from any compulsory contributions to a workman's central compensation fund) £4,000 compensation to senior staff, and is otherwise in the same position (apart from taxation) as company A. In future years it will have

to pay a further £9,000 of compulsory levy at £1,000 a year.

It gets as deductions in computing its profits:

£1,000 compulsory levy

£4,000 compensation paid to staff.

There are again balancing allowances totalling £2,000.

Compensation received exceeds the levy paid to date by £9,000. The element attributable to damage for which no income tax relief is given is £4,000, i.e. £10,000 less loss on plant and buildings and less compensation paid to staff. The part of the compensation relieved from tax is therefore £4,000/£10,000 × £9,000, i.e. £3,600, leaving £6,400 taxable.

Subsequent levies up to a total of £3,600 will be disallowed, £400 each year. In year two the part of the compensation relievable from tax is recomputed on the footing that the excess of compensation over levies paid has become £8,000, i.e. £10,000 less two levies of £1,000. On recomputation the relief due becomes £4,000/£10,000 × £8,000, i.e. £3,200. The excess relief is thus £400 (£3,600—£3,200); this amount is therefore disallowed. Similar calculations produce a disallowance of £400 for each subsequent year until the total of £3 600 is reached in year ten.

If the company had to pay levies exceeding £10,000 in total, there would be no disallowance of the excess. If, on the other hand, it paid by the end of the day less than £10,000 in total, the amounts disallowed would come to something less than £3,600, e.g. if the total levies paid were £5,000 only, the final recomputation of the relief due would give £4,000/£10,000 × £5,000, i.e. £2,000. The disallowances would total £1,600 only.

(3) Company C. has a trading loss for income tax purposes of £15,000 in its last trading period. It pays a levy of £1,000 and receives compensation of £10,000. The written-down value of plant, representing spindles and auxiliary plant, £2,500. Proceeds of sale of plant £750.

	£	£
Compensation receipt . ..		10,000
Less Compensation not chargeable to tax: $\frac{\pounds 8{,}250\ [\pounds 10{,}000-\pounds 1{,}750]}{\pounds 10{,}000} \times \pounds 9{,}000$		7,425
		2,575
Less Trading loss	15,000	
Balancing allowance[1] £2,500—£750	1,750	
		16,750
Loss ..		£14,175

The loss is available for inclusion in a claim for terminal loss relief.

(4) Company D. has a trading loss, pays levy and receives compensation exactly as in (3). Written-down value of plant etc., £2,500. Proceeds of sale of plant £4,000, which is less than its original cost.

	£
Compensation receipt	10,000
Less Compensation not chargeable to tax: $\frac{\pounds 10{,}000}{\pounds 10{,}000} \times \pounds 9{,}000$	9,000
	1,000
Less Trading loss	15,000
	14,000
Less Section 341 relief (see below)	1,500
Loss available for inclusion in a claim for terminal loss relief	£12,500

	£
Balancing charge[1]	1,500
Section 341 relief	1,500
	—

(5) Company E. has a trading loss for income tax purposes of £1,000 (exclusive of employee compensation levy) in its last trading period. It pays a levy of £1,000 and receives compensation of £10,000. Written-down value of plant £2,500, sale price of plant £500. Payment of levy for employees' compensation (legal liability existed to pay such levy at date of cessation of trading but amount was not quantified until later) £1,000.

	£	£
Compensation		10,000
Less Compensation not chargeable to tax: $\frac{\pounds 8{,}000\ [\pounds 10{,}000-\pounds 2{,}000]}{\pounds 10{,}000} \times \pounds 9{,}000$		7,200
		2,800
Less Trading loss	1,000	
Levy for operatives' compensation ..	1,000	
		2,000
Assessable 'profit'		800
Balancing allowances[1]		2,000
Loss available for inclusion in a claim for terminal loss relief		£1,200

(6) Company F. has a trading loss for income tax purposes of £3,000, no levy is paid. Written-down value of plant is £600. Sale proceeds of plant £4,000, which is less than its original cost. Compensation received £6,000.

	£
Compensation	6,000
Less Compensation not chargeable to tax ..	6,000
	—
Trading loss	3,000
Balancing charge[1] (£4,000—£600)	3,400
Net amount chargeable to tax	£400

[1] Whether or not records are available to show W.D.V. and sale price of each particular item of plant, only the *net* balancing allowances or charges will be taken into account in the calculation of the liability on compensation.

Weekly Notes

The Association's Examination Results

IN the June 1959 examinations of The Association of Certified and Corporate Accountants a total of 1,829 candidates sat, of whom 746 were successful. There were 575 candidates in Section I of the Final, of whom 193 (33·6 per cent) passed and 382 failed. The First Place was won by Mr J. B. Gunbry, of Taunton, and the Second Place by Mr A. H. Shipman of London.

In Section II, 412 candidates sat of whom 212 (51·5 per cent) were successful. The First Place and Prize were won by Mr M. D. McConnie of Leeds; the Second Place by Mr C. Slomovic, of London, and the Third Place by Mr M. Clark, of Dewsbury.

There were 670 candidates for the Intermediate examination, of whom 245 (36·6 per cent) passed, the First Place and Prize being won by Major T. H. Pierce, of Devizes.

In the Preliminary examination, 96 candidates (55·8 per cent) out of 172 were successful.

The names of the successful candidates in Sections I and II of the Final, together with a full summary of the results, appear elsewhere in this issue.

Cotton Industry Compensation

ELSEWHERE in this issue appears a memorandum which has been agreed between the Inland Revenue and the cotton industry, explaining the Revenue's view of the law relevant to the special taxation questions arising from the reorganization scheme for the industry, and the approach which the Revenue will adopt in administering the law. The memorandum is a most useful document, not least by reason of the arithmetical examples which are included.

As the memorandum itself states, it is the Revenue's view which is given. It is open to any taxpayer to put forward some other view of any particular aspect. Nevertheless, the memorandum is useful in explaining the impact of taxation provisions, particularly Part XXIII of the Income Tax Act, 1952 (industry rationalization), and in reminding the reader of repercussions which might not otherwise occur to him.

Census of Distribution For 1957

THE *Report on the Census of Distribution and Other Services, 1957*, now published[1], contains a detailed analysis of retail trading in Great Britain. It is the second of its kind but unlike the first census of distribution which related to the year 1950, it has made use of sampling methods. In consequence, this report does not give any figures for the numbers of shops in different areas. Provisional results of the census have been published from time to time in the *Board of Trade Journal*, beginning with the January 2nd, 1959, issue.

The report gives details for various types of retail business of sales, persons engaged, wages and salaries, purchases, stocks, gross margins and the number of retail establishments and organizations. There is also an analysis of sales of particular commodities, details of credit transactions of retailers, check traders and finance houses and information about certain special types of trading such as credit traders calling on customers, mail order business and automatic vending machine trading.

Thus there is now available an analysis, not only of the structure of the retail trade with a good deal of information about turnover, employment, stocks and credit transactions, but also a comparison of the years 1950 and 1957. Comparative figures are not available in every case but a very useful start has been made in comparing the structure of the retail trade over a seven-year period, and the use and further development of sampling techniques will enable the census to be taken with less work for the Government statisticians concerned and for the retail trade as a whole and with a speedier analysis between the receipt of the basic forms and the final document.

Growth of Road Transport

THE collection of statistics relating to the nature and extent of goods carried by road is clearly a very difficult and laborious operation. So far, such statistics as are available in the United Kingdom have been derived from two sample inquiries. The first of these was taken by the Ministry of Transport and Civil Aviation during the week ended September 28th, 1952, the results being published in a paper presented to the Royal Statistical Society in the following year. The results of a second sample inquiry held by the Ministry during the week ended April 27th, 1958, have recently been issued as an official memorandum, *The Transport of Goods by Road*[2].

A striking point in regard to the inquiry is that no less than 7,372 forms, or 98 per cent of those sent out, were completed and returned.

The summary to the report makes these points. The proportion of total inland ton mileage passing by road in 1958 was about 56 per cent. Since 1952, the total volume of road goods traffic has increased by nearly one-quarter; this increase has been shared by vehicles operating under each type of licence. There has been an increase since 1952 in the average intensity of use of large vehicles operated for hire. A detailed examination of 'C' licence operation provides no evidence that such vehicles are being operated inefficiently.

In 1952, road transport was estimated to have carried 46 per cent of total inland ton mileage. Total goods carried in 1958, and also that portion carried

[1] H.M.S.O. 5*s* net.

[2] H.M.S.O. 1*s* 9*d* net.

by road, were both adversely affected by the slight recession which was apparent in 1958. The increase of 25 per cent in the volume of goods carried by road between 1952 and 1958 is slightly less than the Ministry expected.

Recovery Forges Ahead

THERE are indications that the pace of recovery from recession is increasing rather more rapidly than had been expected in certain quarters. The July gold and dollar reserves figures were exceedingly encouraging. After paying off certain debts left over from the European Payments Union, the United Kingdom reserves increased by £17 million. July is usually a month when seasonal pressure on sterling begins to build up and the fact that it has not done so on this occasion shows that the balance of payments position of this country remains exceedingly healthy.

According to the July edition of *Economic Review* industrial recovery proceeds apace. The growth in output, however, is more rapid than that in employment. This is because output per man has increased sharply and as industrial output increases there is not a proportionate demand for an increased supply of labour. Recovery has been most noticeable in vehicles, electrical engineering, building and textiles. Industries lagging include shipbuilding and mechanical engineering. The latter in particular is dependent on an increase in fixed investment by private industry and this has yet to be generated on any scale although the auguries are good for an increase in the autumn.

Recovery is also setting in strongly in the rest of western Europe and the increase in British exports during the last few months has been particularly noticeable to industrial countries, not only to the United States. Exports of primary producing countries have stopped falling and this is also a healthy sign that the danger of a secondary recession building up outside the industrialized countries in primary producing areas has been staved off.

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

Murray's Trustees *v.* Lord Advocate

In the Court of Session – July 24th, 1959

(Before the LORD JUSTICE CLERK (Lord THOMSON), Lord PATRICK and Lord MACINTOSH)

Estate duty – Revision of amount – Estate partly in Scotland and partly in England – Life-rent valued on slice principle – Slice principle subsequently held to be erroneous – Whether payment and acceptance regarded as satisfying claim – Whether so regarded on view of law then generally received or adopted in practice – Finance Act, 1894, Sections 8, 11 – Finance Act, 1951, Section 35.

The deceased was entitled, under the will of her father, to an annuity during the life of the widow, who survived her. She also enjoyed the life-rent alimentary use of one-third of the residue. The residue was burdened with an annuity of £7,000 to the widow, the maintenance for her of a house and its contents, and an annuity of £1,000 to the deceased herself. The deceased was also entitled to some free estate and to an interest in her marriage settlement, and these two assets were dealt with in England.

In January 1952, the trustees of her father lodged, in Edinburgh, an account of the property which then passed and was being administered by them; and they sent a cheque 'subject to final adjustment of figures'. At that time the method of ascertaining the amount of capital to be deducted from the residue on account of the annuities and life-rent interests was calculated on the slice principle laid down in *Attorney-General v. Glossop* ([1907] 1 K.B. 163). In November 1952, in *In re Longbourne* ([1952] 2 All E.R. 933) the Court of Appeal held that the slice principle was erroneous, and that the value of an annuity, which continued after the relevant death, should be calculated actuarially. In December of that year a memorandum to that effect was circulated in the Estate Duty Office.

In January 1953 the Estate Duty Office in Edinburgh sent to the appellants' solicitors 'the figures for aggregation purposes at present', and referred to the values of the free estate and the marriage settlement funds being dealt with by the Estate Duty Office in London. The appellants' solicitor asked that a provisional assessment should be made leaving over any adjustment as to the English assets, and sent a further cheque. In 1956 the appellants' solicitor asked for a certificate of discharge, as the amount already paid was then seen to have been sufficient. The Estate Duty Office in Edinburgh, in reply, took the point that the valuation on the slice principle was erroneous.

The appellants contended that Section 35 of the 1951 Act prevented any revision of the assessments in that either the payment in 1952 or that in 1953 was regarded as satisfying the claim and otherwise complying with the section.

Held: (1) only the second payment was so regarded; but (2) the second payment was not made at a time when the slice principle was generally received; (3) at that time the slice principle was not adopted in practice.

Finance and Commerce

Food for Thought

TWO statements in the annual publication of Shorts Ltd, the well-known wine merchants, are likely to give shareholders food for thought – especially those who may not have been following the subject in question from the beginning. One is in the report which records that: 'The claim against a subsidiary (W. J. Hollebone & Sons Ltd) in connection with the acquisition of W. J. Hollebone & Sons in 1952 has, as the result of a Court action, materialized in the approximate amount of £12,500 and provision has been made in the accounts.'

The other is by Mr Alan V. Slater, the chairman, who says that the seven-year-old claim by the vendor against the subsidiary, which originated from a former management, was resolved during the year; the claim, on appeal, being substantially reduced to £12,500. Provision for this contingency, he says, is provided for in these accounts. The revised cost of acquiring the business has been capitalized in accordance with established commercial practice and accounts for the increased figure under the appropriate heading. The directors are satisfied that the amended purchase price is a conservative value of the business as it stands at the present time.

Even professional readers might well puzzle over 'the appropriate heading'. The more unenlightened shareholder will probably come to the conclusion that an increase from £17,814 to £30,314 in 'excess of cost of shares and assets in subsidiaries over book value of net assets acquired' has something to do with it, but will he be much wiser then?

Properties

HALF the current company news seems to be concerned with property and what could be done with it if only control of the company owning it could be obtained. In part, this is one of the results of inflation, but the statement of Mr G. W. Clarke, chairman and joint managing director of Sketchley Ltd, dyers and cleaners, provides an example of how companies with direct contact with the public for their business need to be 'property-minded' to secure good sites.

Sketchley has recently bought the old Palace Theatre, Leicester, to establish a cleaning unit in the heart of that city. The original buildings will be demolished and replaced by a block of shops. The company will occupy one of the shops with works premises in the rear and the remainder will be sublet.

Mr Clarke points out that considerable temporary finance is needed for a project of this size but the directors expect to place the premises on long lease with an institutional investor at a figure that will more than cover the total outlay. Expenditure to date is included in the balance sheet under 'Freehold property'.

Asset Replacement

IN the matter of replacing assets, the main thing is to have the money available to do it. This is evidently a basic thought in the boardroom of Ruston & Hornsby Ltd.

It will be seen, says the recent directors' report, that in the accounts no provision has been made for further transfers to plant replacement reserve as such. This reserve was created some years ago and has been added to over the years during which considerable replacement of plant and machinery has

SHORT'S, LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1959

1958 £	£		£	£
77,279		**PROFIT ON TRADING .. ..**		63,880
		Add:—		
	1,600	Income from Investments (Gross)	1,200	
	7,805	Interest on Bank Deposits and Money on Short Call	6,553	
	98	Mortgage Interest	91	
	20	Transfer Fees	17	
9,523				7,861
86,802				71,741
		Deduct:—		
	4,000	Directors' Fees	4,000	
	773	Audit Fees	773	
	1,050	Debenture Interest	1,000	
	538	Interest	364	
	10,447	Depreciation of Leases, etc. ..	10,723	
16,808				16,860
69,994		**NET PROFIT FOR THE YEAR BEFORE TAXATION .. ..**		54,881
		Deduct:—		
		Taxation on Profits for the year—		
	11,245	Profits Tax	5,771	
	31,136	Income Tax	21,508	
42,381				27,279
27,613		**NET PROFIT FOR THE YEAR AFTER TAXATION .. ..**		27,602
		Dividends paid, accrued and proposed net—		
	4,600	On 4 per cent. Cumulative Preference Shares	4,600	
	4,312	On 6 per cent. Preferred Ordinary Shares	4,594	
	10,063	On Deferred Ordinary Shares of 12½ per cent.	13,398	
18,975				22,592
8,638				5,010
29,332		**Brought forward from last year ..**		14,505
37,970				19,515
		APPROPRIATIONS, SUBSIDIARIES:—		
	10,000	Revenue Reserve	5,000	
	13,465	Capital Reserve	—	
23,465				5,000
14,505				14,515
		Carried forward to next year:—		
	7,008	**Short's, Limited .. ..**	7,181	
	7,497	**Subsidiaries .. .. ..**	7,334	
£14,505				£14,515

1958 Short's Ltd. £	1958 Consolidated £		Short's Ltd. £	Consolidated £
		CAPITAL OF SHORT'S, LIMITED—AUTHORISED AND ISSUED		
200,000	200,000	20,000 4 per cent. Cumulative Preference Shares of £10 each, fully paid	200,000	200,000
125,000	125,000	12,500 6 per cent. Preferred Ordinary Shares of £10 each, fully paid	125,000	125,000
175,000	175,000	175,000 Deferred Ordinary Shares of £1 each, fully paid	175,000	175,000
500,000	500,000		500,000	500,000
6,535	6,535	**CAPITAL RESERVES at 31st March, 1958** ..	6,535	20,000
—	13,465	Appropriated during year	—	—
	20,000			
		REVENUE RESERVE AND SURPLUS		
		General Reserve Account		10,000
		Appropriated during year		5,000
—	10,000			15,000
		Profit and Loss Accounts		
7,008	14,505	Balances unappropriated	7,181	14,515
22,000	30,600	**Amount set aside for Future Income Tax, 1959/60**	18,000	21,500
		DEBENTURES		
—	21,000	5 per cent. Debentures of £1,000 each ..	—	20,000
		CURRENT LIABILITIES AND PROVISIONS		
19,563	39,423	Creditors, Accrued Liabilities and Provisions..	11,618	31,583
2,674	2,674	Staff Provident Fund	2,708	2,708
19,120	22,474	Taxation Payable 1959	5,681	7,640
		Outstanding Dividends at 31st March, 1959 (*less* tax)		
2,300	2,300	4 per cent. Cumulative Preference Shares, half-year	2,300	2,300
4,312	4,312	6 per cent. Preferred Ordinary Shares, year	4,594	4,594
10,063	10,063	Deferred Ordinary Shares, 12½ per cent. (proposed)	13,398	13,398
58,032	81,246		40,299	62,223
58,032	81,246	Deducted from Current Assets, *per contra* ..	40,299	62,223
£535,543	£596,105		£531,716	£591,015

ALAN V. SLATER
PETER W. DOLLAR } *Directors.*

1958 Short's Ltd. £	1958 Consolidated £		Short's Ltd. £	Consolidated £
		FIXED ASSETS		
230,383	230,383	Goodwill, Trade Marks, Designs, etc., at 31st March, 1958	230,383	230,383
85,995	85,995	*Less* Specific Reserve Account at 31st March, 1958 ..	85,995	85,995
144,388	144,388		144,388	144,388
		Freehold and Leasehold Premises, Motor Vehicles, etc., at the value in the Companies' books on 1st July, 1948, and at cost, together with subsequent additions at cost ..		
247,483	285,964		248,475	287,083
38,527	65,561	*Less* Accumulated Depreciation ..	46,593	73,817
208,956	220,403		201,882	213,266
353,344	364,791		346,270	357,654
—	17,814	**EXCESS OF COST OF SHARES AND ASSETS IN SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS ACQUIRED**	—	30,314
		SUBSIDIARY COMPANIES—		
		Wholly Owned		
77,759	—	Shares at cost	77,759	—
6,299	—	Amount owing by Subsidiary	18,144	—
84,058			95,903	
55,331	—	*Less* Amount owing to Subsidiary	51,126	—
28,727	—		44,777	—
6,683	6,683	**TRADE INVESTMENT AT COST (Unquoted)**	6,683	6,683
		NET CURRENT ASSETS		
29,869	104,628	Stock of Wines, Spirits, Cigars, etc. (as certified by the General Manager)	29,351	108,030
2,639	3,109	Payments in Advance ..	3,086	3,561
4,361	6,031	Sundry Debtors ..	3,957	5,000
—	1,791	Mortgage on Freehold Premises	—	1,730
—	1,000	Deposits with Brewers	—	1,000
30,534	30,534	Investments at Cost (Market Value £17,400)	30,534	30,534
137,418	140,970	Cash at Bank, in Hand and on Short Call ..	107,357	108,732
204,821	288,063		174,285	258,587
58,032	81,246	*Less* Current Liabilities, *per contra* ..	40,299	62,223
146,789	206,817		133,986	196,364
£535,543	£596,105		£531,716	£591,015

REPORT OF THE AUDITORS TO THE MEMBERS OF SHORT'S, LIMITED

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books. We have examined the above Balance Sheet of the Parent Company which is in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, subject to the value of Goodwill, Trade Marks, Designs, etc., of £144,388, such Balance Sheet gives the information required by the Companies Act, 1948, in the manner so required and gives a true and fair view of the state of the Company's affairs as at 31st March, 1959.

We have also examined the above Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Company and its Subsidiaries with the audited accounts of those Companies. In our opinion, subject to the value of Goodwill, Trade Marks, Designs, etc., of £144,388, such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give a true and fair view of the state of affairs and of the profit of Short's, Limited and its Subsidiaries.

33 CATHERINE PLACE, LONDON, S.W.1.
21st July, 1959.

WESTCOTT, MASKALL & CO., *Chartered Accountants, Auditors.*

been effected, notwithstanding which, depreciation on the new plant has been charged direct against revenue.

The directors now take the view that conservation of reserves, whether to meet rising costs of replacement or for any other purpose, is equally achieved by the maintenance of one reserve and to this end it was decided to merge the plant replacement and tax equalization reserves, as well as the small balance standing to the credit of capital reserve, with the general reserve.

Concentration in the Aircraft Industry

IN the last eighteen months, mergers and amalgamations in the aircraft industry have been going forward as part of an officially approved rationalization scheme. The industry is scheduled to contract permanently as the missile age progresses and the fighting aircraft becomes obsolete.

In 1949 there were thirty-three aircraft manufacturers and twelve makers of aero-engines. Today these have shrunk to twenty-four and six respectively. Some of the schemes bringing the industry into a smaller number of larger groupings have taken the form of consortia rather than of outright merger. Some of the giants in the industry have come together for specific schemes. Examples of such types of co-operation are English Electric and Vickers coming together to make the TSR2 supersonic bomber, with Bristol Siddeley manufacturing the engine. Another case is De Havilland, Fairey and Hunting joining to form a special company usually called Airco.

The latest example of ordinary amalgamation has been that of Westland and Saunders-Roe.

CITY NOTES

WHILE the pace of stock-markets has not been quite so fierce in the past week, there has been little sign of any real flagging of interest in the equity sections where, in the main, prices have held up well and buyers, though possibly a trifle more selective, have nevertheless remained keen. Emphasis on the continued rise in United Kingdom hire-purchase debt to a new peak in June of £763 million, or £37 million more than May, has kept the factor of expanding economy, and the high rate of public spending, well in focus.

In the stores share section the closing of the Harrods 'saga' has brought welcome relief. Mr Fraser emerges as the victor though the City still wonders whether or not victory has been too costly. The City is also anxious to hear how Mr Fraser intends to raise the £20 million or so cash he requires to pay the cash portion of his bid.

On the domestic front, another chapter in the 'dud' cheques story comes from the committee of the Issuing Houses Association. There was disappointment in the City, however, that the authorities have not given a clearer lead to their members. The final conclusion is the not directly helpful one, that each particular case should be dealt with on its own merits. Nevertheless, the committee is aware of the recent incident where one applicant in the Firth Cleveland issue sent in 162 cheques, each for £990, and all were dishonoured. But circumstances can vary, the committee says, and it is not felt desirable to suggest any 'uniform procedure'. At the same time the committee does point out that it is the normal and established practice to cash all cheques and it is only in exceptional cases where the extent of oversubscription makes it impracticable that cheques may not be presented for payment.

The committee also welcomes the action of the Stock Exchange Council in warning brokers that when they put their stamp on an application form there is an element of responsibility to see that the client is in a position to meet his liabilities.

RATES AND PRICES

Closing prices, Wednesday, August 26th, 1959

Tax Reserve Certificates: interest rate (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

June 19	£3 9*s* 0·40*d*%	July 24	£3 9*s* 0·13*d*%
June 26	£3 9*s* 0·52*d*%	Aug. 3	£3 9*s* 8·19*d*%
July 3	£3 9*s* 0·06*d*%	Aug. 7	£3 9*s* 7·97*d*%
July 10	£3 9*s* 0·22*d*%	Aug. 14	£3 9*s* 8·13*d*%
July 17	£3 9*s* 0·16*d*%	Aug. 21	£3 9*s* 8·39*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80¾–13/16	Frankfurt	11·74 11/16–13/16
Montreal	2·67 11/32–15/32	Milan	1742¼–½
Amsterdam	10·61⅜–⅝	Oslo	20·01–¼
Brussels	140·41–·42	Paris	13·76⅜–⅝
Copenhagen	19·36–⅛	Zürich	12·11 13/16–15/16

Gilt-edged

Consols 2½%	52⅝	Funding 4% 60–90	91¼
Consols 4%	73⅝	Savings 2½% 64–67	84⅜
War Loan 3½%	65⅝	Savings 3% 55–65	90⅝
Conversion 3½%	64¾xd	Savings 3% 60–70	81⅝xd
Conversion 3½% 1969	88xd	Savings 3% 65–75	76¼
Exch'qu'r 5½% 1966	102⅝xd	Treasury 2½%	48¼xd
Funding 3% 66–68	84¾	Treasury 3½% 77–80	78⅞
Funding 3% 59–69	84⅞	Treasury 3½% 79–81	77¾
Funding 3½% 99–04	71⅞	Victory 4%	95⅜xd

Current Law

Termination of Hire-purchase Agreement: Deposit not Recoverable

A HIRE-PURCHASE agreement between the plaintiff and the defendant company in *Kelly v. Lombard Banking Ltd* ([1958] 3 All E.R. 713), contained a provision that credit for the initial payment made by the hirer would be given to him only if, after punctually paying all sums due under the agreement and observing all its terms, he exercised, on payment of a further sum of £1, an option to purchase the motor-car which was the subject of the agreement. Before the monthly payments due under the agreement had all been paid by the hirer, execution was levied against him, and this entitled the owner, under another term of the agreement, to terminate it and to retake the vehicle. The plaintiff claimed the return of the initial payment on the ground of total failure of consideration in that, because of the premature determination of the agreement, he had never received the benefit of the option to purchase.

The Court of Appeal held, however, that the option was a right existing as from the date of the agreement, albeit the hirer was not entitled to exercise it unless he fulfilled his obligations. That being so, the hirer had got the option which he had paid for, and accordingly his claim must fail.

Payment of Debts and Legacies

THE testatrix in *Re Berrey's Will Trusts, Greening v. Warner and Others* ([1959] 1 All E.R. 15) directed payment of her funeral and testamentary expenses and gave two pecuniary legacies of £500 each 'free of duty'. Her will continued: 'After all my debts, and funeral, and expenses are paid I give and bequeath all the residue of my estate in equal shares to the following . . .'. She then named four persons, one of whom predeceased her, so that there was a lapse of one-quarter of the residue.

Danckwerts, J., held that 'expenses' must here include, not only testamentary expenses (including estate duty payable out of the general estate), but also the expenses of the administration of the estate. By reason of the use of the word 'after', the debts and expenses were cast on the whole of the residuary estate, and not merely on the quarter share which was undisposed of, and to that extent the order of application of assets under Section 34 (3) and Schedule I, Part II, of the Administration of Estates Act, 1925, was varied. It followed that there was an intestacy only in regard to one-quarter of the residue after the deduction from the whole of the debts and expenses. His lordship further held that the pecuniary legacies were payable out of the undisposed of share of residue. In so holding, he rejected an argument of the next of kin to the contrary. It was argued that, as the will had varied the order of application of assets laid down by the Act, there was no reason to apply Part II of Schedule I in respect of liabilities and there was no subject-matter to which the provisions of paragraph 1 of Part II could apply. It was also argued that Section 33, which provides that any part of the estate of which there is an intestacy shall be converted to money and that, after the payment of the liabilities, a fund shall be set aside for the provision of pecuniary legacies, could not apply to a case where there was an intestacy, not as regards particular assets, but as regards a share of residue.

His lordship held that the trusts creating a trust for sale and providing for the disposition of the resulting fund contained in Section 33 must be applied in the case before him, and that, if a fund was formed for the payment of legacies, they must be paid thereout.

Conveyance to Defraud Creditors

RE Eichholz, ex parte Trustee of the Property of the Deceased Debtor v. Eichholz: Eichholz's Trustee v. Eichholz ([1959] 1 All E.R. 166) were proceedings in which the trustee of the estate of a deceased insolvent, which was being administered in bankruptcy, sought to recover from the deceased's widow a house conveyed to her in 1955 and also chattels at the house. Harman, J. (as he then was), found as a fact that the deceased had given the house and some of the chattels to the defendant. The plaintiff claimed that he was entitled to recover them under Section 172 of the Law of Property Act, 1925, which renders void a conveyance of property made with intent to defraud creditors.

His lordship rejected an argument for the defendant that no action under Section 172 lay where an estate was being administered under Section 130 (1) of the Bankruptcy Act, 1914: it was true that a person whose estate was being thus administered could not properly be described as a bankrupt (and it followed that Section 42 of the Act, relating to the avoidance of voluntary settlements, had no application), but Section 172 had in itself nothing to do with bankruptcy and was available in a chancery administration, so there was no reason why it should cease to be available simply because Section 130 (1) of the Bankruptcy Act was called in to regulate the creditors' rights. A further point taken for the defence and rejected was that Section 172 did not apply unless there was a conveyance in the sense of a written document: the deceased was not a party to the conveyance of the house to the defendant nor did it recite that it was made by his direction, but he provided the purchase money.

The learned judge held that a written conveyance was not necessary for Section 172 to apply, but, in any case, there was here no want of writing, because the conveyance to the defendant had had the effect

of transferring to her the equitable interest which the deceased obtained in the property on contracting to buy it.

Transposition of Words in Will

A CURIOUS point arose in *Re Bacharach's Will Trusts, Minden v. Bacharach and Others* ([1958] 3 All E.R. 618). The testator gave his residuary estate to his trustee 'to pay and apply the annual income arising therefrom to be divided into four equal parts one part to each of my children . . . and two parts to my wife Nora . . . as shall survive me until the children shall attain the age of twenty-three years. . . .' As Vaisey, J., said, this passage contains an extraordinary jumble of words. The question before his lordship was what interest the widow took, various suggestions as to this being put forward. His lordship decided that something had been inadvertently omitted from or inserted in the will, or the words had become disarranged, and said that he had a strong impression amounting to a conviction that the widow was intended to take the two shares absolutely under an indefinite gift of income. Other provisions in the will supported this view. This result could be obtained by transposing the words 'one part to each of my children' and 'two parts to my wife Nora'. He was not aware that the expedient of shuffling the words in a will to make them intelligible had ever been resorted to, but he did not see why it should not in a proper case be admitted, particularly as transposition of the words of a statute had been resorted to in *Love v. Norman Wright (Builders) Ltd* ([1944] 1 All E.R. 618, 620). His lordship accordingly declared that the construction of the will was as he had indicated, but he pointed out that, if other rearrangements of the words could have been suggested as producing an equally reasonable and probable disposition of the testator's estate, he would have had no power to choose between alternatives and must have held that an intestacy resulted.

Trustees Retain Discretion

IT was decided in *Gisborne v. Gisborne* ((1877), 2 App. Cas. 300) that where trustees are properly exercising their discretion, the Court is without power to override them, or to take the discretion out of their hands. In *Re Steed's Will Trusts, Sandford v. Stevenson and Others* ([1959] 1 All E.R. 609), it was suggested that since the Variation of Trusts Act, 1958, became law this was no longer the case. The plaintiff sought the approval of the Court to an arrangement varying existing trusts for her benefit so as to substitute an absolute beneficial interest for a discretionary interest. The trustees opposed the application, and, that being the case, Harman, J. (as he then was), took the view that he had no power to override the discretionary powers and protective trusts which the trustees desired to exercise. His lordship added that, if he was wrong on this point, nevertheless he had a discretion whether or not to approve the arrangement sought, and it was not one which in his discretion he ought to approve.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Contracting Out

SIR, – In the leading article in your issue of August 22nd, you rightly draw attention to 'amount of remuneration' as a criterion which will be much in demand for distinguishing between 'non-participating employments' and 'employments' not contracted out of the payment of graduated contributions under the National Insurance Act, 1959. It has been suggested in some quarters that the delineation would be uncertain if the remuneration of the employees were subject to considerable variation from pay-day to pay-day, but I would suggest that there would be difficulty in using, as the unit of measure, the average rate of pay over a prescribed period ending on a specified date in each year, as is so often done already in institutional pension schemes in determining the members' contributions for the ensuing twelve months, and not infrequently also in determining the quota of pension-entitlement 'earned' during that same twelve-month period.

This system has worked with complete success for many years, and would be an equally 'certain' delineation for the purposes of national insurance.

Yours truly,

London, EC4. WILLIAM PHILLIPS.

Maintenance Relief

SIR, – I was interested in your article on 'Maintenance relief' in the August 15th issue, but found the first part of paragraph 2 difficult to understand. This referred to expenditure to be recovered by the taxpayer from his insurance company. No mention is made of the premiums which will presumably have been charged each year in compiling the maintenance claim, the charging of which would presumably necessitate the crediting of any sums received as a result of claims. Moreover, would not the insurance company rank under Section 67 as 'any person other than the first-mentioned person'?

With regard to the repair of the fence damaged by cattle, the situation is different in that the bill was met by the neighbour or his insurance company and the claimant may not have been paying any premiums.

In the circumstances, I find it hard to understand how the taxpayer can hope to have his expenditure allowed as your paragraph would seem to imply.

Yours faithfully,
D. KINGSTON WALKER.
Weybridge, Surrey.

SIR, – We have read with interest your recent articles (June 27th and August 15th issues) and also the correspondence on the subject of maintenance relief.

A point which has only received passing reference, however, and which appears to be of some consequence is whether in applying the provisions of Section 332 (2) (*b*) (under which expenditure met by another person can still rank for relief, except where that other person has himself obtained an allowance) the exception applies whether the allowance could have been granted by way of maintenance relief only to the person making the contribution or whether it also applies if the person making the contribution could have claimed relief under any of the income tax provisions.

Thus in a particular case the Inspector is insisting that a landlord who has received dilapidations payments from tenants must deduct the amounts received from the expenditure ranking for maintenance relief on the grounds that the tenants in question would have been able to deduct the dilapidations payments in arriving at the amount of their profits assessable under either Case I or Case II of Schedule D.

Similarly, where a claim has been met by an insurance company in circumstances where the asset or a part of the asset has not been demolished, destroyed or put out of use, the Inspector wishes to deduct the amount of the claim from the maintenance expenditure, presumably on the grounds that the insurance company would be in a position to deduct the amount of the claim in arriving at its profits assessable to income tax.

There seems to be no clear indication in the Income Tax Acts which view is correct, although we can see that the Inspector has logic on his side.

Yours faithfully,
T.C.P.D. & Co.

[In reply to Mr Walker we can only quote the time-honoured dictum of Rowlatt J., in *Cape Brandy Syndicate v. C.I.R.* (1 A.T.C. 293), at page 297:

'In taxation you have to look simply at what is clearly said. There is no room for any intendment; there is no equity about a tax: there is no presumption as to a tax; you read nothing in; you imply nothing, but you look fairly at what is said and at what is said clearly and that is the tax.'

Section 101 of the Income Tax Act, 1952, says that insurance premiums rank for relief, but it does not say that sums recovered under the insurance are to be set off against the expenditure – except to the limited extent provided by Section 101 (3).

On this latter point, Mr Walker asks: 'Would not the insurance company rank under Section 67 (of the 1945 Act, now Section 332 (1) of the 1952 Act) as "any person other than the first mentioned person"?' He overlooks Section 66 (2) of the 1945 Act (now Section 332 (2) of the 1952 Act). As we previously pointed out, these provisions exclude:

'(*a*) any insurance moneys or other compensation moneys payable in respect of any asset which has been demolished, destroyed or put out of use; and

'(*b*) any expenditure met or to be met by any person other than the Crown or a government or public or local authority, being expenditure in respect of which, apart from the provisions of this paragraph, no allowance could be made under the provisions of subsection (3) of this section.'

Paragraphs (*a*) and (*b*) provide the taxpayer with two distinct possible escapes. In the first place, moneys which he receives in respect of assets demolished, destroyed or put out of use are ignored, whether they come from an insurance company, the Crown, a public authority or anyone else. Assuming the moneys are not in respect of an asset demolished, destroyed or put out of use, then provided they are not receivable from the Crown or a government or public or local authority, there is still a possibility that the moneys can be ignored. They can be ignored if the person paying them cannot obtain an allowance *under Section 332 (3)*. Now this subsection has nothing to do with the claiming of deductions in arriving at profit. It provides in certain circumstances for granting capital allowances to the payer under Chapter I, Chapter III, or Chapter IV of Part X of the Income Tax Act (industrial building, plant and machinery, and mining allowances). In the ordinary way no insurance company would be seeking allowances under those provisions, it would simply deduct the moneys as an ordinary trade expense. That deduction does not affect the title of the recipient of the moneys to claim relief in respect of his expenditure.

The other correspondents (T.C.P.D. & Co), argue from experience rather than theory, in the particular case they mention, and although they purport to see logic in the Inspector's contentions, it would seem to us, with all respect, that the argument is faulty. There is no fundamental principle of income tax that payments which constitute allowable deductions to the payer must necessarily attract income tax in the hands of the recipient. Certainly, neither of the two cases is caught by Section 332 (1), for the reasons given above. If there were such a general principle, Section 332 would be unnecessary.

One does not find Inspectors using the argument of logic when the boot is on the other foot. A trader who takes over dilapidated property and spends money on restoration in lieu of paying rent, is not allowed to deduct the expenditure, notwithstanding that it is reflected in the Schedule A assessment (*Jackson v. Laskers Home Furnishers Ltd* (35 A.T.C. 469)). – Editor.]

Council on Prices, Productivity and Incomes

SIR, – It is encouraging to find the Cohen Council, in paragraph 94 of their third report, seriously applying replacement cost depreciation before assessing the ratios of disposal of profits as between

taxation, dividends, and the balance 'ploughed back' into the business. It is frustrating, however, to realize that so little progress has been made towards acceptance by the accountancy profession of the principle of replacement cost accounting.

To overcome the difficulty of collating representative figures for the widely varying types of industry, the Council had to obtain information from the Central Statistical Office and the Board of Inland Revenue, which led them to two striking conclusions:

(1) replacement cost depreciation was one-third higher than historic cost depreciation;
(2) total profits were 6 per cent less than those calculated on the historic cost basis.

This is most useful constructive criticism of the continuing convention of calculating profits on historical costs which may be, and very often are, quite remote from the day-to-day current cost of earning income. It is to be hoped that the significance of this criticism will be duly noted and appropriate action taken.

The Council say, 'It requires a nice judgment to decide how far growth should be financed out of profits'. Nothing could be truer, and yet company managements are supposed to exercise this 'nice judgment' on a reported profit figure based on historical cost, to which *ad hoc* guesswork has to be applied in an endeavour to assess the real profit. The use of modern methods of data processing would enable accountants to charge out the real current cost of materials, labour, work in progress, and depreciation at the time the cost is actually incurred. Fortuitous financial gains or losses arising from price fluctuations would then be isolated and managements made aware, without guesswork, of the realities of their economic positions and future requirements. Having automatically provided in their profit figure, by replacement cost accounting, for maintenance of their capital, they would be able to more realistically assess the proportion either to be ploughed back or utilized for price reductions.

Price fluctuations as between commodity and commodity are a sign of an active economy healthily reacting to all the external forces of change. Replacement cost accounting would enable managements to steer a balanced course through the veering currents of continually changing economies.

Yours faithfully,
Burgess Hill, Sussex. WM. E. SPRUCE.

Point of Principle

SIR, – I was glad to see from your report of the special meeting of members of the Institute that the Fellowship proposals were confirmed as, in my opinion, this settles this matter by a reasonable compromise.

There were a number of members who could have proceeded to Fellowship under the old rules but did not do so, presumably on a point of principle and not for the reason that they were not prepared to meet the additional financial outlay involved. It will be interesting to know, now that these members must become Fellows, whether their principles will cause them to resign!

Yours faithfully,
L. V. SLATER.
Cambridge.

Speed in Financial Reporting

SIR – I refer you to your issue of August 8th wherein, under 'Finance and Commerce', you have a paragraph on the accounts of Blackwood Hodge Ltd. This paragraph contains a misstatement in that Blackwood Hodge Ltd do not build 'Euclid' earth-moving equipment. Blackwood Hodge Ltd is a holding company and one of its subsidiaries, John Blackwood Hodge & Co Ltd, is the distributor in this country – and, through its overseas subsidiaries, in many foreign territories – for 'Euclid' products manufactured here and in the United States of America.

Euclid (Great Britain) Ltd has manufactured 'Euclid' earth-moving equipment at Newhouse Industrial Estate, Lanarkshire, Scotland, since 1950, and the Euclid Division of General Motors Corporation, our parent organization, has done so in Cleveland, Ohio, since 1931.

Since the point of your paragraph was the speed of the production of financial reports, it may be of interest to you to know that we have available by the eighth of each month a full financial report (balance sheet, profit and loss account and supporting schedules) of the previous month's operations and that by the eleventh of each month we have an operating and financial forecast covering that month and the next three months with schedules showing movements in inventory and commitments, manufacturing expense, balance sheet items, analyses of forecast variances, etc.

Those productions are, of course, tools of management. In the matter of published accounts, the General Motors Corporation issues to shareholders its annual report for the calendar year, complete with photographs and statistics, early in February, and a quarterly report in the first month of the next quarter. The figures cover some 126 plants in the U.S.A. and twenty-four foreign manufacturing plants and distributing organizations.

This country has a long way to go in this respect.

Yours faithfully,
N. S. BROWN, C.A.,
Director,
EUCLID (GREAT BRITAIN) LTD.
Newhouse, Lanarkshire.

Greengrocers' Gross Profit

SIR, – Can any of your readers please tell me what percentage of gross profit to sales should be expected from a small retail shop in London which has a frozen food trade in addition to ordinary greengroceries.

Yours faithfully,
BORN YESTERDAY.

BRITISH COMPUTER SOCIETY

CONFERENCE AT CAMBRIDGE

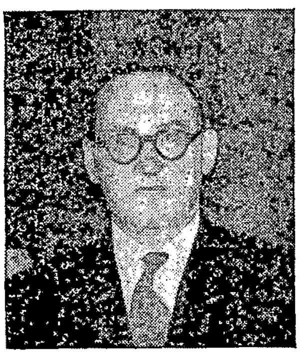
The first conference of the British Computer Society was held in Cambridge from June 22nd–25th. Reference to it was made in a leading article in our issue of June 20th, but owing to the difficulties occasioned by the recent printing dispute it has not been possible before now to publish a report of this interesting event.

The conference, which was presided over by Dr M. V. Wilkes, F.R.S., President of the Society, was attended by over 300 delegates, including many members and visitors from overseas well-known internationally for their contributions to science and industry. The programme was notable for its breadth of content and diversity, in that there were subjects for both the scientist and the business man. In our report we give an account of the papers and sessions of particular interest to the accountancy profession.

President's Address

Welcoming delegates to the conference, the President said:

'It is almost ten years to the day since the last computing conference was held in Cambridge which some 140 delegates then attended.



Dr M. V. Wilkes

'I am glad to say that the decision to hold this conference has been very warmly received and there are 330 delegates present including many members and others from overseas – the importance and distinction of whom can be seen at a glance by only the most casual reference to the list of delegates which has been circulated to you.

'Although it is almost ten years since the original conference was held at Cambridge, it is not yet two years since the British Computer Society came into being. Many of those who have worked towards its formation have been most encouraged by the way in which the business and scientific interests in this subject have come to work side by side around a council table and in so doing, contributing to the fuller utilization of our industrial and intellectual resources, so enabling us to compete the more effectively with the progress now being made in these fields in other parts of the world.

'It is not insignificant that, in the United States of America, where the use of computers has become established on a much wider basis than in this country, the membership of the Association for Computing Machinery is understood not to exceed 3,000 members. While here, in Britain, with a population only one-third as large, our society has already a membership approaching 2,000! This, surely, is indicative of the vigour with which the people of this country are identifying themselves with the possibilities now afforded by the more advanced of Britain's computers. We look forward, in the near future, to a better realization of the benefits which computers can bring to business managements.'

Britain's Computers

Speaking on the subject of computer development in the United Kingdom, Mr J. A. Goldsmith, M.A., A.C.A., said that the flow of new orders for computers for commercial data processing had noticeably slackened over the past few months. Of the 109 large installations delivered or on order at the present time, seventy-six had been installed at this date compared with thirty-seven at the same time last year and fifteen the year before that.

He suggested that, in this field, potential users were waiting to see what success these early installations achieved before ordering their own machine. There was also a feeling that there might be new developments shortly with a crop of new machines on the market.

Work so far on the larger machines had been unambitious and the achievements disappointing compared with the amount of effort put into their installation. Users of these machines who have attempted to apply them to routine accounting work had generally found that the cost of installation and of preparing the media for the system was greater than had been forecast some years ago. There was still a large gap between top management and the people running computers. He felt that it would be five or ten years before computers played a full part in helping management to control their organizations really effectively rather than being merely an advanced accounting machine.

Reviewing the work of computers in British universities, Dr A. S. Douglas, Director of the Electronic Computing Laboratory at the University of Leeds, said that, up to the present, these machines had mostly been engaged on research and that little or no undergraduate teaching had yet been developed. Generally, the machines were operated on the 'open shop' principle, carrying out work for any departments who wished to make use of the computers' facilities. There was also a trend – by those responsible for the computer, often the mathematical department – towards taking over the essential training of users in the mathematical techniques which it was so essential should be fully understood before proper use could be made of the machine.

He gave details of the reliability to be expected from machines working on a service basis and showed that the percentage down-time, once the machine was run in, could be maintained at something in the order of only 1 per cent.

Service work for other departments was not con-

siderable (except at Manchester) but an increase in this type of work might become necessary if a university was to be able to afford to install a large machine. He felt that only with such a machine could universities properly combine a wide range of work for research and a proper programme of training.

Selecting and Training Computer Programmers

Both American and British speakers, at a symposium in the selection and training of programmers, expressed it as their opinion that there would be rapid development of automatic programming techniques applicable to a wider range of machines with the emergence of a common language for automatic translation to the language of each type of machine. Manufacturers and some large organizations with several computers would need highly-skilled programmers to write the 'master programme' but the expanding use of autocodes would simplify the user's task so that it might well be unnecessary for many users to train and employ highly skilled programmers such as mathematics graduates.

Mr R. W. Bemer, manager of programming systems, IBM Data Processing Division, New York, whose organization needed a very large number of programmers, described the means of selection and training currently used in the United States. Basing the initial selection largely on aptitude tests, he emphasized the need for the potential programmer to have 'horse-sense'. Given this, no particular previous occupation seemed to him to make very much difference, although chess-players and puzzle-solvers appeared to have that necessary 'something' which was the hall-mark of a good programmer.

The use of aptitude tests as any guide at all was warmly contested by Dr John W. Carr III, director of research, Computation Center, University of North Carolina, and past President of the Association for Computing Machinery. As a university user with problems of co-ordinating work on different machines in three centres, he was more concerned in devising techniques to avoid training programmers rather than developing logicians as IBM were doing.

In the British field, Mr H. W. Gearing, head of computer division, The Metal Box Co Ltd, London, described the steps taken by his company to build up their own programming staff. They had found that a mixture of people with some years' experience in organizing the routines on normal accounting machines, with people who came straight from university or mathematical and statistical work in industry, gave the most evenly balanced team.

Mr B. Richards, of the central instrument laboratory, Imperial Chemical Industries Ltd, Reading, stressed the importance of the management user (be he chemist, engineer or physicist) appreciating the mathematical ability of the machine and being able to explain to those running it, exactly what he required so that jobs might be quickly programmed using an automatic coding technique. He did not require psychologically selected programmers and suggested that, in this country, there had been too much emphasis on machine coding and not enough appreciation of systems, flow diagrams and mathematical techniques of solving the problems in industry.

Auditing the Computer

Accountant members of The British Computer Society, with many designers and scientists, discussed the problems posed to the accountancy profession in carrying out statutory audits when many of the conventional records had been replaced by magnetic tape or other devices.

Outlining the duties of auditors, Mr A. J. Bray, M.A., A.C.A., drew attention to the requirements of the Companies Act and questioned whether information held in computer storage could be accepted as 'proper books of account' or whether it could be claimed that the permission given by the Act that matters might be recorded 'in any other manner' than bound ledgers, might be stretched to cover, for example, a magnetic drum. He drew attention to the limited experience of the profession, so far, in auditing large data processing systems and suggested that there was a great deal to be done by external auditors in studying a complete integrated data processing system instead of relying on the routine checking of arithmetical accuracy.

Internal audit matters were outlined by Mr T. R. Thompson, director of Leo Computers Ltd, London, who stressed the need for early co-operation between systems planners and the auditors. He felt that a good data processing system gave a more organized procedure which should be easier for the auditor to grasp overall. He suggested that, with the fewer number of people involved in a large system, it might be easier to falsify data. Much had been written about the possibility of fraudulent operation of the machine but, while this was possible in theory, in his opinion it would be extremely difficult in practice.

The question of possible fraud was referred to also by Mr F. Clive de Paula, T.D., F.C.A., who emphasized the need for the auditor to be satisfied that there was proper internal discipline within the machine-room. There should be proper procedures to ensure that the right programmes were used, that the same programme had, in fact, been used throughout one machine run, that minor error correction during a machine run was properly recorded. He suggested that machines might need to be equipped with devices which would automatically print out a record of all console switch movements, identification of the programme used and, possibly, an automatic record of machine operating times.

A lively discussion was contributed to by many other prominent accountants, the general opinion being that the auditor would need to be more intimately associated with the procedure and evolve techniques of controlling the overall accuracy of the system instead of relying on detailed checking of individual documents. It was suggested that he should also evolve statistical sampling techniques to be able to watch trends in error factors and possibly running sample tests on another machine.

Logical Design of Computers

The new MUSE computer, now under development at Manchester University, will complete the addition of two numbers in one ten-millionth of a second, stated Dr T. Kilburn, reader in electronics in the University, at a symposium on 'Logical design'.

This high speed is achieved by a transistor circuit invented by Dr Kilburn, which transmits the 'carry-over' from one digit position to the next at a quarter of the speed of light. The mean rate of obeying instructions from the core store will be about 700,000 per second.

Dr M. Lehman, of the Israel Ministry of Defence, explained how he and his colleagues had been able to plan a computer using only $12,000 worth of equipment. He analysed the cost of commercially available machines, concluding that materials accounted for only about 10 per cent of the price. His computer is intended for general, 'open-shop', scientific computing and will have an 8,000-word drum and a 128-word core store.

Dr N. C. Metropolis, director of the Institute for Computer Research at the University of Chicago, described a computer being built in his Institute modelled on Maniac II at the Los Alamos Scientific Laboratory. The new machine will have 8,000 or 16,000 words of core store with a cycle time of only two microseconds, and four magnetic tape decks.

Automatic Programming

Computer programming has now developed from a science into an art, said Dr S. Gill, of Ferranti Ltd. Individual techniques no longer matter, but rather the well-chosen combination of facilities embodied in a programming language. The present situation is still one of active development and is difficult to summarize. Dr Gill pointed out the various requirements of experts and novices in different situations which had led to a variety of different languages being devised, each capable of being accepted by a computer with the help of processing routines. A vital factor is the provision of well-written manuals describing the language, and a rapidly growing interest is being shown by manufacturers in the development and presentation of languages.

There is a trend towards the use of alphabetical coding; this started in scientific work but is now of greatest interest to business users. It is now also often possible to define words for use in a particular programme and Dr Gill saw this as a possible salvation for business users who have difficulty in reaching agreement on the meanings of words.

Finally, he summarized the present situation concerning attempts to standardize a language for international use. There are some who feel that if a common language is not consciously accepted now, some existing language will drift into common use; others feel that the time is not yet ripe to establish more than a few essential features of languages. The British Computer Society has two committees considering respectively the scientific and business needs; the scientific committee has endorsed the latter view. Workers in various countries of Europe and the U.S.A. are, however, preparing to use a common language called 'ALGOL' for scientific programmes. The position is confused by many things, such as the variations in the range of symbols available on typewriters, key-punches and printers.

Magnetic Tape Stores

Experience in the use of magnetic tape stores in computers for data processing was given to delegates by four firms who now have installations running.

Mr C. A. Wilkes, of Imperial Chemical Industries Ltd, detailed the difficulties they had experienced in the early days and gave examples of some of the shortcomings of this medium. He reassured delegates that, in spite of these difficulties, they had not experienced wrong information being written on to or read from magnetic tapes without the system signalling that an error had been made.

Mr L. Griffiths, of Rolls-Royce Ltd, spoke of his two years' use of tape storage, particularly as a large reference library of data for production control programmes on the computer. They had devised a system for controlling the use of tapes so that the computer itself kept its own records and thus ensured that the right tape was used and information was not erased accidentally.

Magnetic film use was described by Mr P. B. Livesey, of Newton, Chambers & Co Ltd, over a period of one year while work was being put on the computer. In his experience, the general reliability was good and the faults were very few. Mr C. B. Griffiths, of Babcock & Wilcox Ltd, used tape to hold a large number of computer programmes covering the many jobs for which the machine was regularly used, so avoiding the need to reset the machine for each separate job. Magnetic tape was faster to read than paper tape input and was less liable to be damaged in handling.

In the discussion which followed, other users indicated that those devices which had means of writing and reading magnetic tape or film without the heads being in contact with it, gave less cause for error and enabled a tape to be used for a great many years.

Production Control by Computer

Work done in this country and the United States in the field of inventory control and production scheduling was summarized by Mr J. Harling, of Urwick Orr & Partners Ltd. He emphasized the two aspects of the problem, the analysis of orders and the resultant build-up of production schedules, and he gave an account of the application of each in practice and showed how such systems could cope with sequencing, batch frequency and batch size variations.

A detailed study of a system of production control by a computer in a light engineering factory was given by Mr Francis Bryen, of International Computers & Tabulators Ltd. As a result of the installation of this system, production control in the factory is now significantly improved. For example, the total number of items in short supply has been reduced to about 6 per cent of the former figure, production per man-hour worked has slightly increased, while part-ordering and split-batching have been reduced appreciably.

Wide Range of Commercial Uses

Use of a LEC computer for sales invoicing, accounting and analysis for 38,000 customers of The Imperial Tobacco Co was described by Mr A. G. Wright. As many as 2,500 orders can be executed on the day received and the computer programme containing 6,500 instructions also up-dates the customer's account, tests the credit limit, determines the quantity discount and works out information required by the packing and dispatch departments. The computer is

also used for comparative sales statistics for the use of the firm's travellers. Payroll and other statistical programmes are being planned for a future operation.

Work in local government was described by Mr C. W. Mallinson, Deputy County Treasurer of Cheshire County Council. An IBM machine is handling a payroll of 19,000 with cost analyses, accounting for eleven stores and dealing with the payment of 5,000 invoices a week, job costing for a central repair depot and giving a highways costing service.

Economic Planning by Computer

Mathematical aids to management are now effectively used in industry through the ability of computers to carry out the complex calculations involved. Mr G. S. Galer, of the Shell Chemical Co Ltd, described the application of these computer methods to the varied activities of the Royal Dutch/Shell Group in most parts of the world. Optimization techniques, and especially the technique known as linear programming, are now widely used for the solution of complex economic problems.

A group of petroleum chemical plants, for example, will produce as many as fifty final products from one base material. The plants may be operated in many different ways, and the production of many products is closely related to that of others. It is known what the potential market is for each product. How should the production and marketing plan of the company be drawn up? If there is a shortage of base material or plant capacity, how should this be allocated between the various sales outlets?

The linear programming approach to these problems consists in setting up a large number of equations which express all the possibilities of sales and production, together with an expression describing the profit to be gained from each combination of possibilities. One is then able to choose, by means of a long calculation, that method of running the plant and of selling the products which will yield the largest profit.

This calculation, in practical cases, requires the resources of the largest and fastest computers available if it is to be carried out within a reasonable period of time. One of the group's plant complexes, however, is now regularly operated on these principles, a planning exercise being carried out every three months, covering the coming five-quarter period. The work is done on a large Ferranti 'Mark I' computer by the group's research laboratory in Amsterdam.

For Students

COST ACCOUNTING

Fixed Expense Variances

The computation of the variances which apply to fixed expenses often causes difficulty to the student but it should be remembered that such variances are no more than a classification of the amounts by which a reconcilation is effected between what the expense *ought to have been* (i.e. the fixed expense content of the production) and the actual fixed expense incurred.

When the standard cost of a product is first computed, a sum for fixed expenses is included therein which will be based on the total estimated fixed expense divided by the standard production. For example, if the budgeted fixed expense is £800, and the standard production is 1,000 units, the standard cost of each article will include $\frac{£800}{£1,000}=£\cdot 8$ or 16*s*. The standard cost rate can also be expressed in terms of standard hours. For example, if 20 units can be produced in one hour, the production of 1,000 units represents 50 standard hours and the fixed expense per standard hour is $\frac{£800}{50}=£16$.

In the event, the actual cost of fixed expenses may differ from the standard, for example, because of an unforeseen increase in the charge for local rates or because production differs from standard. In the latter circumstances only the amount of production (in terms either of units or standard hours) multiplied by the appropriate standard cost rate (i.e. 16*s*) is credited to fixed expense account and debited to production.

The first variance to consider is the 'expenditure variance' which is computed by comparing the actual fixed expense with that budgeted. The latter may be a proportion of the annual charge based upon the length of the budget period. Any difference between actual and budget should be written off to the debit or credit (as the case may be) of fixed expense expenditure variance account, leaving to the debit of the fixed expense account itself only the budgeted or standard figure for expenditure. If production is exactly equal to standard, the transfer to production will equal the balance on expense account, but in practice this will not be the case, for production usually varies from standard.

Such variation, basically, can only arise through two causes, namely, changes in the hours worked (which may have various causes) or changes in the efficiency of production, i.e. in the number produced in a given length of time. Both of these factors may be present. Changes in the hours worked may arise:

(*a*) If there is a change in the number of productive workers or because of the introduction or removal of overtime or short-time working. These circumstances in effect alter the capacity of the factory (which depends on the number of productive hours worked) and hence give rise to a *capacity variance*.

(*b*) If through variations in the demands of the sales department, shortages of raw material, machine breakdowns or similar causes workers are not fully employed during the hours for which they are paid with the result that the allowance for idle time in the computation of the standard cost is exceeded, such variations may be grouped under the omnibus heading *idle time variance.*

(*c*) If a public holiday occurs in the budget period, when the variance is termed a *calendar variance.*

For example, if the standard fixed expense for the

budget period is £16 per standard hour and the budgeted output is 100 standard hours, a change in the hours worked through one of the causes above will (assuming no alteration in the *rate* of production, i.e. in the efficiency) alter the production proportionately. If this increases by, say, 5 standard hours, a credit variance of $5 \times £16 = £80$ arises. This will be credited to one of the fixed expense variance accounts and debited to fixed expense account, thus allowing for the fact that production of five standard hours has been carried out without any cost in fixed expense. The designation of the variance account will depend upon which of the factors mentioned in (*a*)–(*c*) above has given rise to the increased production.

If, on the other hand, the *rate* of production (i.e. the efficiency) changes, an *efficiency variance* arises. The change in efficiency is measured by comparing the actual production with the standard production for the hours actually worked, not the budgeted hours.

If, in the hours actually worked, a production of 100 standard hours should have resulted, but the actual production represents only 85 standard hours, there is an unrecoupable fixed expense of $15 \times £16 = £240$. This adverse efficiency variance will be debited to fixed expense efficiency variance account and credited to fixed expense account. The balance on fixed expense account represents the standard value of fixed expenditure applicable to the actual production.

The following question illustrates the above variances.

Question

The chief accountant of Ano Ltd has provided you with the following figures as the standards for the four weeks ended April 30th, 1959:

Fixed expenses	£2,400
Budgeted production ..	4,800 articles
Budgeted hours	1,260
Budgeted idle time	60 hours

On May 5th, 1959, you have ascertained that the actual figures for the four weeks were:

Fixed expenses	£2,570
Actual production	5,400 articles
Hours paid for	1,360
Actual idle time	80 hours

You are required to set out the fixed expense account for the period. All workings are to be made in terms of standard hours.

Answer

FIXED EXPENSE ACCOUNT

	£		£
To Creditors ..	2,570	By Production Account 1,350 standard hours at £2 an hour ..	2,700
„ Variance Accounts		„ Variance Accounts	
Capacity ..	200	Expenditure ..	170
Efficiency ..	140	Idle time ..	40
	£2,910		£2,910

Notes.

(i) The budgeted production of 4,800 articles represents 1,200 hours' work, therefore the budgeted production is 1,200 standard hours.

(ii) The budgeted fixed expense per standard hour is $\frac{£2,400}{1,200} = £2$.

(iii) The variances are computed as follows:

(*a*) Expenditure $£2,570 - £2,400 = £170$.

(*b*) Idle time. The loss of 20 hours in excess of the budgeted figure represents a loss of 20 standard hours at $£2 = £40$.

(*c*) The capacity of the factory has increased from 1,260 to 1,360 standard hours.
100 standard hours at $£2 = £200$

(*d*) The actual production is $\frac{5,400}{4} = 1,350$ standard hours.
This was achieved in $(1,360 - 80) = 1,280$ hours. There is therefore an efficiency variance of $(1,350 - 1,280) = 70$ standard hours which multiplied by £2 per standard hour gives an efficiency variance of £140.

ENGLISH LAW

The Essentials of a Valid Contract

The basis of contract in English law is agreement between two or more persons of contractual capacity. Such agreement implies unqualified acceptance of a genuine offer made with intent to create legal relations. Such an offer must be distinguished from a mere declaration of intention to deal at a future date (e.g. an announcement of an auction sale) and from an invitation to the other person to make an offer. A retailer's display of his goods with a price label is such an invitation, even in a self-service store (*Pharmaceutical Society v. Boots Cash Chemists*). Only when the retailer accepts the customer's offer to buy is there a binding contract.

The acceptance of an offer must, generally speaking, reach the notice of the other party to create a contract. An important exception lies in the field of commercial correspondence; for when an exchange of letters is involved, mercantile usage has established a rule, recognized by the Courts, that acceptance by letter is complete when the letter is actually posted, whether or not it subsequently goes astray in the mails (*Household Insurance Co v. Grant*). This exception has no application to the revocation of an offer. Thus if A. posts an offer to B. and later changes his mind, it will be necessary for his revocation of the offer to reach B. before B. actually posts a letter of acceptance; otherwise A. will be bound by contract (*Byrne v. Van Tienhoven*).

Revocation is not the only way of terminating an offer. Apart from acceptance, which merges the offer into a contract, an offer terminates on its rejection by the offeree – a counter-offer from him is deemed to do this – or through lapse of time. The offer expires after any time which may have been contractually agreed for keeping it open; or, if there is no such agreement, after a reasonable time. Death of either party will also cause the offer to lapse.

The offeror will not otherwise be bound to keep his offer open. Mere statement of his intention to do so will not bind him, because there will be lacking the necessary element of valuable consideration. This is a further essential element of all contracts not made under seal. Thus if X. offers an appointment in his office to Y., and Y. says he will think it over, it will be of no assistance in law to Y. if X. says he will hold his offer open for a week for that purpose; only if Y. gives X. some valuable consideration for the offer being held open will Y. be able to prevent X. from giving the position to someone else during that period.

Notes and Notices

PERSONAL

MESSRS ELLES, REEVE & Co, Chartered Accountants, of 4 Bucklersbury, London, EC4, announce that Mr C. H. C. MABEY, F.C.A., retires as a partner on August 31st, 1959, and that Mr V. M. WINCHCOMBE, A.C.A., who has been a member of their staff for a number of years, is being admitted into partnership as from September 1st, 1959. Mr MABEY will be available as a consultant to the firm, the style of which remains unchanged.

MESSRS MCCLELLAND, MOORES & Co, Chartered Accountants, of London and Liverpool, announce that Mr L. V. D. TINDALE, C.A., is retiring from the partnership on September 30th, 1959, to take up the appointment of assistant general manager, Industrial & Commercial Finance Corporation Ltd. Mr J. G. HURST, jun., A.C.A., will be admitted as a partner from October 1st, 1959, and will practise from the Liverpool office.

MESSRS CLARKE, ECKERSLEY, PRENTICE & Co, and EDWARD MYERS, CLARK & Co, Chartered Accountants, of Manchester, London and Watford, and Messrs GEORGE PEDLEY & Co, Chartered Accountants, of Burnley, announce with deep regret the death on August 18th of their senior partner, Mr JAMES WILLIAM ECKERSLEY, F.C.A.

MESSRS LEIGH, LAWLER & HOOPER, Chartered Accountants, of 55 Hoghton Street, Southport, announce that their senior partner, Mr JOHN J. LAWLER, J.P., F.C.A., retired from the firm on June 30th, 1959, to take up a commercial appointment. He will continue to be available in a consultative capacity. As from July 1st, 1959, Messrs M. S. ISHERWOOD, A.C.A., S. S. RILEY, A.C.A., and D. H. ROPER, A.C.A., have been admitted to the partnership.

MR H. G. GREGORY, F.C.A., the surviving partner in Messrs GULLY, STEPHENS, ROSS & GREGORY, Chartered Accountants, of 1 Broad Street Place, London, EC2, announces that he has taken into partnership Mr P. G. BARBER, F.C.A., and Mr C. GRAHAM WILLETT, A.C.A. Mr BARBER and Mr WILLETT are also partners in the firm of Messrs HOWARD SMITH, THOMPSON & Co, Chartered Accountants, of Birmingham and London.

MESSRS HUMBLE & GLENTON, Chartered Accountants, of Post Office Chambers, St Nicholas Street, Newcastle upon Tyne, 1, regret to announce the death on July 27th of Mr RONALD EDWIN MACFADYEN, F.C.A., who had been a partner in the firm for more than thirty-seven years.

MESSRS M. LANDAU & Co, Certified Accountants, announce that their offices are now at 20 Newman Street, London, W1. Telephone: Langham 8172.

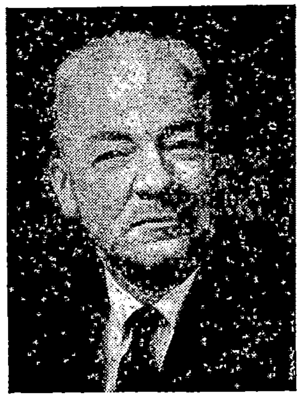
PROFESSIONAL NOTES

Mr J. H. Plant, A.C.A., managing director of W. G. Allen & Sons (Tipton) Ltd, has been appointed deputy chairman of the company.

Mr H. T. Kemsley, D.S.C., B.A., A.C.A., secretary of British Industrial Plastics Ltd, has been appointed a director of the company.

Mr R. B. Houle, A.C.A., has been appointed to the board of Joseph Tetley & Co Ltd.

THE INSTITUTE OF INTERNAL AUDITORS



Arriving from New York next Thursday, September 3rd, on a three-week visit to the United Kingdom, will be Mr Bradford Cadmus, Managing Director of The Institute of Internal Auditors. A native of Elyria, Ohio, Mr Cadmus is a graduate (B.A.) of Columbia University. He was a governor of the New York Chapter, before being appointed national secretary of the Institute in 1944, and became managing director in 1947. His wide experience in the field of internal auditing gained through industrial appointments before becoming an executive of the Institute, has been reflected in numerous talks and published articles.

During his stay, Mr Cadmus will visit and address each of the United Kingdom Chapters, the theme of his talks being 'Profit-making opportunities in Operational Auditing'. Accompanied by Mr J. O. Davies, F.C.A., European Vice-President of the Institute, his itinerary will be as follows:

London Chapter	September 10th
Birmingham Chapter	,, 14th
Manchester Chapter	,, 16th
Newcastle on Tyne Chapter	,, 18th
Glasgow Chapter	,, 21st

TRUCK ACTS INQUIRY

Mr W. H. G. Cocks, F.S.A.A., F.I.M.T.A., County Treasurer of Glamorgan, has been appointed by the Minister of Labour as one of the members of the committee which has been set up to review the operation of the Truck Acts.

The committee, which is under the chairmanship of Mr David Karmel, Q.C., Recorder of Wigan, will consider in the light of present-day conditions the operation of the Truck Acts, 1831–1940, and related legislation, and make recommendations. The payment of wages by cheque is, of course, bound up in the question, but this aspect is to be dealt with as a separate matter by legislation at a future date and the committee will consider the wider issue of how far the Acts should be revised to fit in with present-day industrial practice.

CENSUS OF DISTRIBUTION, 1961

Mr R. McNeil, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales and a partner in the firm of Nevill, Hovey, Gardner & Co, Chartered Accountants, of Hove, and Mr B. W. Goodman, A.C.A., secretary of Marks & Spencer

Ltd, have been appointed members of the Advisory Committee for the Census of Distribution and Other Services to be taken in 1962 in respect of 1961.

SHEFFIELD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The seventy-seventh annual report of the committee of The Sheffield and District Society of Chartered Accountants records a total membership at December 31st, 1958, of 450, an increase of 169 over the previous year.

Several lecture meetings were held during 1958–59 and visits were made to the Revenue offices in Sheffield and to Newton Chambers & Co Ltd to see that company's computer at work. In addition, a series of three successful lecture meetings was arranged by the management accounting sub-committee and luncheon meetings held at Sheffield and other neighbouring towns were well attended. Those held at Sheffield, for the purpose of introducing newly qualified members to the President and other officers and members of the Society have, the report states, assisted greatly in more interest being shown in the Society's activities. The luncheons held in neighbouring towns have also helped to promote and develop an interest in the Society.

New President

At the Society's recent annual meeting, Mr J. S. Wortley, F.C.A., senior partner in the firm of Joshua Wortley & Sons, Chartered Accountants, of Sheffield, was elected President for the ensuing year.

Born in 1909, Mr Wortley is a son of the late Mr Edward B. Wortley, a member of the Institute from 1899 until his death in 1925, and grandson of Joshua Wortley, an original member of the Institute. Educated at Uppingham School, Mr Wortley was articled in 1926 to his uncle, the late Mr John Wortley, and was admitted an Associate of the Institute in 1932; he was elected a Fellow in 1940. In 1934 he became a partner in the firm of Joshua Wortley & Sons and has been senior partner since 1940.

Other officers have been elected as follows:

Vice-President: Mr J. W. Richardson, F.C.A.
Hon. Secretary: Mr M. Sheppard, A.C.A., Imperial Chambers, Norfolk Row, Sheffield, 11.
Hon. Treasurer: Mr R. L. Emmott, A.C.A.
Hon. Auditor: Mr S. Jones, F.C.A.

CRICKET

Chartered Accountants *v.* The Law Society

The twenty-eighth annual match between The Institute of Chartered Accountants in England and Wales and the Law Society was played on the Richmond Club Ground on July 2nd. The match was very closely contested and amid considerable excitement was won by the Law Society by one wicket, the winning hit being made off the fourth ball of the last over.

The Institute batting first started well, and Bentall and Lattey put on 52 for the first wicket. After this wickets fell steadily and when Eiloart was out seven wickets were down for 116. However, the tail managed to collect another 72 runs and the Institute were all out for 188.

The Law Society started badly and lost two wickets before tea. However, Nathan, Dennis and Slack by steady batting took the score to over 160 for the loss of only four wickets. At this point the Law Society lost three wickets for the addition of another 7 runs when Phillips and Nelmes-Crocker took the score to over 180. These two were both out – caught Brooker, bowled Guthrie – when the Law Society score stood at 183, but their last wicket added the required 9 runs and the winning hit was made, as mentioned above, late in the last over of the match. The scores were:

Chartered Accountants

J. A. S. Bentall, b. Cox	26
D. B. T. Lattey, c. sub, b. Cox	25
A. M. Walker, st. Crocker, b. Hughes	13
I. R. Eiloart, c. de Lattre, b. Hughes	40
D. A. W. Bradley, c. and b. Hughes	1
A. B. Brooker, c. wicket, b. Hughes	9
J. Guest, c. and b. Hardcastle	0
M. I. Makin, b. Phillips	30
G. W. Gate, c. Cox, b. Slack	16
L. V. Scarlett, c. and b. Cox	20
A. C. Guthrie, not out	2
Extras	6
Total	188

The Law Society

S. Mundy, l.b.w., b. Bradley	0
R. J. A. Hughes, c. Bentall, b. Gate	13
R. de Lattre, b. Gate	6
P. G. Nathan, c. Bentall, b. Guthrie	34
J. N. Dennis, run out	69
I. K. E. Slack, c. Brooker, b. Guthrie	35
C. S. Dorman, b. Scarlett	0
M. Nelmes-Crocker, c. Brooker, b. Guthrie	7
N. Phillips, c. Brooker, b. Guthrie	10
D. Cox, not out	9
M. Hardcastle, not out	0
Extras	9
Total	192

Bowling:

D. A. W. Bradley	13–3–36–1	G. W. Gate	8–0–43–2
A. M. Walker	6–0–23–0	A. C. Guthrie	12–0–53–4
A. B. Brooker	2–0–10–0	L. V. Scarlett	2·4–0–18–1

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Committee

Mr B. M. O'Regan, B.SC.(ECON.), A.C.A., has resigned his membership of the Committee on being called up for National Service. He was elected at the annual general meeting in 1956, and was chairman of the Committee in 1958–59. Mr H. J. Atkinson, B.A., has accepted the Committee's invitation to fill the vacancy caused by this retirement.

Mr K. E. C. Payne has also resigned from the Committee on his call up for National Service. A former committee-member of the Incorporated Students' Society, he held one of the special places created last year in connection with integration. Now that he has ceased to be a member his place will lapse.

Lecture Centres

The possibility of setting up lecture centres in Croydon and Ealing has been examined and although results do not warrant an attempt to start lectures at present, it is still hoped that local meetings for discussion may be arranged.

1959 Group

The 1959 Group, for members starting articles during 1958, began its activities with a Group supper at *The Unicorn and Duke's*, Jermyn Street, which was enjoyed by about fifty students. As a result of the discussion after supper, the Group committee agreed on *The Seven Stars*, in Carey Street, WC2, and The Coffee House, 15 Fleet Street, EC4, as future drop-in meeting places for members on Thursdays at 5.30 p.m. to 6 p.m. Arrangements are also being made for theatre parties, joint debates and another Group supper at the end of October. Other proposals under discussion are dances, a party to Goodwood Motor Racing, week-end courses, cricket and golf. Details will be circulated in September and it is hoped that this Group will become a live means of contact between articled clerks.

Lord Montgomery to address President's Meeting

The speaker at the President's Meeting in Guildhall on October 5th will be Lord Montgomery of Alamein.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of Examinations held in June 1959

FINAL EXAMINATION

SECTION I

First Place: Gundry, J. B., Taunton.
Second Place: Shipman, A. H., London.

(In alphabetical order)

Addington, E., Walton-le-Dale.
Adekoya, M. A., London.
Adewunmi, F. A., London.
Akintola, A. O., Leeds.
Allatt, J., Batley.
Attfield, A. A., London.
Austen, J. A., Leicester.

Badnell, W. G., Maidenhead.
Bassey, E. U., Worthing.
Beadle, W. E., Halstead.
Bell, R. J., Woking.
Bellinger, R. V., Aldershot.
Berryman, R. T., Penzance.
Biddick, D. D. L., Swansea.
Bleese, A. F., St Mary Cray.
Bosley, C. F. R., Buxton.
Bowes, R. N., London.
Boylan, J. E., Skerries.
Brassett, P. G., Upminster.
Bridgwater, D. H., London.
Broomfield, M. J., London.
Bukley, G., Thame.
Burston, E., Newport.

Chishty, M. H., London.
Clark, I. R., Wishaw.
Clayden, J. D., Ingatestone.
Clibbens, M. J., Bexley Heath.
Cole, R. C., Uxbridge.
Coles, J. N., Harrow.
Colley, D., Wakefield.
Collins, M., Croxley Green.
Connor, L. P., London.
Coughlan, D. G. J., Banbury.
Cox, R. H., Stanmore.
Crudgington, S. G., London.
Cruise, B. R., Dagenham.
Crutchley, G. G., Manchester.

Dagg, T. R., London.
Davies, L., Wallsend-on-Tyne.
Daykin, M., Royton.
Doherty, J. G. M., Belfast.
Douglass, E. G., London.
Dunne, P. B. G., Dublin.
Durojaiye, I. A., Leeds.

Eaton, E. R., Birmingham.
Edwards, C., Bladon.
Eldridge, L. T. E., Cheshunt.
Ellingham, D. R., Luton.
Entwistle, K., Bolton.

Fahey, A., Prescot.
Fearn, J. D., Oldham.
Fisher, B., London.
Fitch, J. M., Coventry.
Fowler, D. W., Surbiton.
Foy, L. J., Hove.

Gallagher, M., Dublin.
Gifford, E., Kemsing.
Goode, A. B., Stroud.
Gorton, T., Bowdon.
Gowen, C. J., London.
Gray, H. S., Dalserf.
Green, B., Leamington Spa.
Green, M. W., Old Hill.
Gregoire, E. W., Leeds.
Griffith, C. V., Leeds.
Groon, J., Amersham.
Grylls, J. I., North Moreton.

Halle, N., London.
Hanson, R. S., Devizes.
Harris, J. J., London.
Harrison, C., Royston.
Harrison, G. B., Wakefield.
Hay, G. E., London.
Hedderley, J., Oxford.
Hillcoat, A., Hornchurch.
Holland, D. F., Watford.
Holmes, A., Otley.

Holmes, G. W., London.
Holmes, L., Doncaster.
Hudson, K. H., London.

Jackman, A., Arnold.
James, H. C., Bath.
Jones, C., Swansea.
Joschpe, G., Salford.

Keeble, D. J., Ilford.
Kemp, J. C., British Forces P.O. 4c.
Kettle, J. R., Hayes.
Kilbourne, T., London.

Lambert, J., Dunblane.
Lambert, R. A., Liverpool.
Lane, A. G., Wallasey.
Lawson, G. H., Stockton-on-Tees.
Lee, D. F., Newcastle upon Tyne.
Liddle, J. D. G., London.
Lipman, E. E., Pinner.
Long, E. C., Ruislip.

McDonald, F. D., Stretford.
McKay, A. G., Edinburgh.
McKenna, P. J., Glenageary.
Macfarlane, J. G., Ruislip.
Machado, A. M., London.
Maher, T. A., Manchester.
Manchester, C. A., Cheam.
Marshall, D., Barnsley.
Martin, D. P., Glasgow.
Massey, L., Manchester.
Maxwell, S., Belfast.
Miller, W. G., Cardiff.
Mochan, C., Glasgow.
Moore, D. P., Lancing.
Morris, R. J., Wednesfield.
Morrish, J. F. J., Lymington.
Moulds, A. W., Sedgley.

Newman, A. G., Llanishan.
Nicholson, D., Greenford.

Nussbaum, M., London.

Ogunba, V. O. A., London.
Oliver, R., Doncaster.
Oluwole, O., Newcastle upon Tyne.
O'Meara, G. P., Limerick.
O'Riordan, C. L., Darlington.

Page, T. R., Sutton Coldfield.
Pang, B. L., London.
Parkhouse, J. R., Sutton.
Patrick, D., Banstead.
Pemberton, N., Heywood.
Pepper, B., Birmingham.
Percy, J., Glasgow.
Phillips, A., Kirkintillock.
Pollard, D. B., Woodford Green.
Prevatt, M. F., London.
Price, L. I., Hereford.
Puttock, D. R., Chellaston.

Ralph, B. J. S., Buckhurst Hill.
Reid, D., Aberdeen.
Riches, J. R. S., Ilford.
Roberts, D. K., Barton on Humber.
Robson, D., Basildon.
Romeo, W. F., London.
Ross, G. M., Dunblane.
Rutter, G. F. C., Wigan.

Saddington, F., London.
Sales, A. K., Maidstone.
Sampson, P. D., London.
Schofield, K. K., Audenshaw.
Scott, J. R., Glasgow.
Scrimshaw, J. E., Nottingham.
Shepherd, J. R., Scholes.
Skinner, A. T., Chilwell.
Smart, K. L., Abbots Langley.
Smith, J., Seaham.
Smith, J. S., Liverpool.
Smith, W. K., Sutton Coldfield.

Sood, V. D., London.
Spencer, R. E., Liverpool.
Spilsbury, J. B., Southport.
Stanners, R. H. W., High Wycombe.
Stephenson, W. H., Mansfield.
Stewart, J. H., Maidstone.
Sutton, R. D., London.
Swift, A. R., Ruislip.

Tam, A., Leeds.
Tay, C. W. J., Redditch.
Thomas, T. J., Swansea.
Thompson, C. B., Hertford.
Tooby, C. H., Hazel Grove.
Topping, E. N., Manchester.
Tough, S., Dundee.
Townsend, B. J., Guildford.
Townsend, J. R., Godstone.
Townsend, P. B., Amersham.
Trotter, L. S., Darlington.
Tucknutt, B., Sunderland.

Upton, K. W., Leicester.

Waddell, C. B., Glasgow.
Wales, D., Sheffield.
Walker, B. L. (Miss), London.
Walker, W. J., Glenrothes.
Wall, R. T., Chasetown.
Webster, A., West Bridgford.
Weekley, R. A., Bristol.
West, G. S., Lancing.
White, M. G., Cleethorpes.
Whitmore, J. J., London.
Whitmore, W. G., Aldershot.
Wiggins, J., Beckenham.
Wigley, L. E., Gillingham.
Winter, T. J., Halstead.
Winterbottom, M., Oldham.
Woodhams, C. R., Maidenhead.

Yardley, D., Guildford.

382 candidates failed.

FINAL EXAMINATION

SECTION II

First Place and Prize: McConnie, M. D., Leeds.

Second Place: Slomovic, C., London. *Third Place:* Clark, M., Dewsbury.

Fourth Place: Jones, J. M., Luton.

(In alphabetical order)

Abernethie, D., Cleethorpes.
Addison, J. W., Lewes.
Adie, A. D., Darton.
Alabi, A. B., London.
Ambler, G. H., Altofts.

Baird, R. W., London.
Ball, D. E., Wakefield.
Ballinger, E. J., Cheadle.
Ballsdon, M. E., Oxford.
Bate, K., Melksham.
Bell, S., Lincoln.
Bird, P., Hove.
Bishop, D. H. J., Torre.
Bishop, F. M. (Miss), Newcastle upon Tyne.
Bleasdale, F. E., Lytham St Anne's.
Bonner, J. F., Stevenage.
Bouskill, A. E. W., Barkingside.
Boyd, J. A., Wisbech.
Boyer, H. W., Gedling.

Brassington, W. K. A., London.
Burns, J. S., Portsmouth.

Cahalin, M. A., Blackrock.
Carter, R. A., Alkrington.
Chambers, D. A., London.
Chandler, A. E., London.
Chapman, E. A., Croydon.
Chapman, R., Hartsholme.
Christie, A. R. G., Farnborough.
Clark, N., Walsall.
Clarkson, A., Anlaby.
Clucas, A. W., Tuffley.
Collins, F. L., London.
Conlon, K. A., Dundalk.
Cousins, J., Dewsbury.
Creffield, D. P., Westcliff-on-Sea.
Croft, A. J., London.
Crowther, L., Newton Aycliffe.
Cutmore, A. A., Ashford.

Dawson, A., Gateshead.
De Carle, D. H., London.
Dempster, C. I., Manchester.
Dennett, A. W. H., Romford.
Deslandes, P. G., London.
Dlugozima, W., London.
Donald, J. A., Aberdeen.
Draper, H. E., Ellesmere Port.
Drayton, W., Sheffield.
Drewe, J. M., Formby.
Dron, M. J., Newton Mearns.

Edmonds, E. A., Amersham.
Edwards, D., Leicester.
Elam, K., London.
Eley, W. F., Stafford.
Elgar, K. F. C., London.
Erskine, A., West Kilbride.
Espitalier-Noel, A. M., Port Louis.

Evans, G. D., London.
Evans, S. N. P., Pontlottyn.

Faulding, R. A., Orpington.
Fearn, J. K., Bennetthorpe.
Fenn, R. N., Southend-on-Sea.
Fox, R. M., Cleethorpes.
Freeland, A. J., Yeovil.

Gibbins, M., London.
Gibbs, G. J., London.
Gilbody, G. H., Brighton.
Goode, K. F., St Albans.
Graham, P. (Mrs.), London.
Gray, J. A., Oxford.
Green, E. H., West Bridgford.
Gregory, A. J., Basingstoke.
Griffiths, P. E. E., Hounslow.

Haines, R., Sherborne.
Hale, P. J., London.
Hallett, M. A., London.
Halstead, G., Doncaster.
Hart, B. W., London.
Hart, G. W., Ruislip.
Hayward, R. F., London.
Herrick, M. W., Clifton.
Hiett, K. J., Ingatestone.
Holmes, G. W., Petersfield.
Holmes, R., Orpington.
Houchin, C. A., Gorleston-on-Sea.
Houghton, A., Reading.
House, W. K., Cheshunt.
Howard, G. A. R., Thornton Heath.
Huby, J. D. (Mrs), York.
Hughes, J. P. C., Edinburgh.
Humphries, J. W., Esher.

Inglis, E. J. M., Glasgow.
Inglis, G. D., Brighton.

Jackson, A. C., London.
Jacobs, D., Goodmayes.
Joblin, P. W., Luton.
Johnson, D., Leeds.
Jones, A. K., Brighton.
Jones, K., Rufford.
Judge, J., Hartley.

Kay, H., Burnley.
Keefe, R. D., Wembley.
Kelly, W., London.
Kent, I. J., Welling.
Kerridge, J. D., Birmingham.
Kilminster, E. N., Birmingham.
King, W. S., Glasgow.
Kirk, H. M., Dennyloanhead.
Kunert, H., London.

Lambert, D. J., Norwich.
Laube, R. T. A., London.
Leaver, E. T. W., Iver Heath.
Lewis, B. E., Fishponds.
Lokko, A. (Miss), London.
Lowe, S. N., Nottingham.

McCallum, B., Belfast.
McGough, J., Doncaster.
McGuire, I. D., Edinburgh.
Mainland, G. R. (Miss), Brentwood.
Manwaring, G. R., Ilford.
Marlowe, B., Belfast.
Marshall, H., Whitstable.
Mikhail, M. A. S., Khartoum.
Miller, D. L., Portsmouth.
Milligan, E., Staines.
Miltiadou, N. M., London.
Milverton, J. L., Iver.
Mitchell, R., London.
Mitchell, W., Glenrothes.
Mitchie, E. M., Stanmore.
Moore, B., Wallington.
Moore, J. D., Belfast.
Morris, B. C., Edgware.
Murphy, J. A., Kenton.
Murray, C. P., Rathmines.

Ngu, J. N., Coventry.
Nisbett, A., Morecambe.
Northcott, A. L., London.
Nugent, D. L., London.

Oakley, N. R., London.
Orjih, V. E. D., Leeds.
O'Sullivan, E. J., Limerick.
Oyeleke, Y. A., London.

Packer, C. E., London.
Park, D., Glasgow.
Pentland, E. P., Blaydon-on-Tyne.
Pickford, G. H., Hyde.
Pitt, O. N., Brierley Hill.

Raisey, R. C., Marlborough.
Ramage-Gibson, A. J., Southampton.
Randall, E. E., London.
Randle, A. D., Bournemouth.
Reed, P. J., Hayes.
Richardson, J. E., Tunbridge Wells.
Roberts, R., Birmingham.
Robinson, K., Houghton-le-Spring.
Rose, D. J., Dorking.
Rushton, H. O., Tettenhall.
Russell, T. M., Glasgow.

Samuels, J. M., Hollywood.
Saunders, J., London.
Sayer, J., Newtown.
Segall, J., London.
Sewell, R. L., Totnes.
Shiel, M., Horsforth.
Silvester, W. J., Brierley Hill.
Skinner, L. M., Cranleigh.
Skyte, A. F., Walsall.
Small, J. R., Erdington.
Smith, G. B., Cleethorpes.
Smith, R., Honiton.
Southwell, B., Brentwood.
Startin, H., Dartford.
Steel, A. H., Middlesbrough.
Steele, E., Leeds.
Steer, S. T., Orpington.
Stenhouse, T., London.

Taylor, W. N., Westcliff-on-Sea.
Teasell, R. W., London.
Tiedeman, C. R., London.
Thomas, V., Greenford.
Toothill, K., Pudsey.
Treml, W. J., London.
Trend, H. E. H., Orpington.
Turner, K. E., Birmingham.
Turner, T. W., London.

Upton, P. R., Horley.
Urquhart, D., Banff.

Veasey, J. V., London.

Walker, A. J., Romford.
Walker, J. E., Christchurch.
Wallwork, K. W., Oldham.
Ward, T., Hayes.
Welch, M. G., Pen-y-Lam.
Wells, W. G., East Grinstead.
White, W. J. H., London.
Whytock, R. L., Edinburgh.
Wiggins, R. J., Oxford.
Williams, B. W., Langley.
Williamson, R. R., South Shields.
Wilson, K., Oswaldtwistle.
Wilson, W. J., Liverpool.
Wood, I. R., Silecroft.
Wood, K. E., London.
Wood, L. C., Cheam.
Wright, L., Earley.
Wyatt, P. B., Bushey.

Youlton, T., Guildford.

Zajac, L., Thornton Heath.

200 candidates failed.

Summary of Results

Candidates	Preliminary	Intermediate	Final Section I	Final Section II	Total
Passed with Honours	3	4	2	4	13
Passed	93	241	191	208	733
Failed	76	425	382	200	1,083
Total sat	172	670	575	412	1,829

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CONTENTS

Finance for Industry

'THE issuing houses have been responsible for just under 60 per cent by value of the new issues by public companies since the war' states the Radcliffe report. The issuing houses regard anything below £1 million as a small issue, but during 1952–56 there were sixty-six issues of £50,000 or less. Whereas there were twenty-four such issues in 1952, there were only three in 1956. Issues of under £250,000 averaged about forty per annum during the period; according to the Committee the cost of placing these smaller issues was between $2\frac{1}{2}$ to 3 per cent on a placing of £100,000. The Committee concluded that while 'the larger companies are well catered for, smaller companies are less happily situated'. Most smaller issues were 'placed' with institutions, and in view of the relative unmarketability of such shares in the early years of the company's life, the purchaser expects what the Committee describes as a 'high yield'. The public issue is therefore more attractive to the company seeking new capital, but issues of less than £250,000 were generally impracticable. According to LORD PIERCY, chairman of the Industrial and Commercial Finance Corporation, 'the machinery of the public issue is tending to become less and less available to the smaller industrial undertaking'. This opinion was endorsed by the evidence of SIR NUTCOMBE HUME, chairman of the Charterhouse Industrial Development Company.

The Radcliffe Committee, however, did not fully concur in these views. It commented that 'if the facilities of the new issue market now seem less adequate to the needs of the smaller firm, the explanation lies in the fact that more people are trying to borrow, rather than in any greater difficulty in floating small issues'. This is only a partial explanation, for in so far as the majority of the smaller companies are private companies and wish to remain such, then the facilities of the new issue market are irrelevant. One-third of the total gross profits in British firms engaged in manufacturing, building and distribution are earned by private and unquoted public companies. The traditional source of funds for such companies has been retained profits, but current taxation is the limiting factor. Alternative sources such as the private investor have been restricted for the same reason. MR KEELING, giving evidence to the Royal Commission on Taxation on behalf of the Issuing Houses Association, stated that 'twenty years ago the most important investor was the private individual . . . insurance companies were low down on the list. . . . Now the insurance companies are through the roof . . . and the individual large investor has been living off his capital'.[1]

[1] Memorandum of Evidence, No. 9.

Whatever the explanation of the present-day difficulties encountered by the smaller company in finding new money, the fact remains that it is not a new problem. The Macmillan Committee on Finance and Industry commented in 1932 on the inadequate facilities available to the smaller and medium-sized companies for raising capital. Their needs could not be met by bank finance, and they were too small to interest the new issue market. An effort to close the 'Macmillan gap' was made before the war by the officially sponsored Credit for Industry Ltd, and a private venture – the Charterhouse Trust. That these bodies provided only a partial solution to the problem was suggested by the setting up in 1945 of the Industrial and Commercial Finance Corporation Ltd with the Government's blessing and the commercial banks' money. As late as 1954, its chairman LORD PIERCY commented that 'for the bulk of the country's small and medium-sized businesses, the issue market is not really a practicable source for the raising of long-dated capital'. In his opinion the Macmillan gap remained, although 'different in detail and degree'.[1] Now, some five years later, we have the views of the Radcliffe Committee.

The Committee states that since the publication of the Macmillan report 'the facilities available to the small industrialist have grown substantially as the result of the development of new institutions'. The role of the insurance companies in providing mortgages on industrial property is a source of finance which 'must be rated in the aggregate as important'. Hire-purchase is nowadays used to finance new plant and other assets and, although still relatively small in total, is beginning to expand rapidly. The banks 'are primarily short-term lenders, but are in practice ready to renew overdrafts to sound borrowers to cover medium-term and even long-term requirements'. Lastly, there are the services of the I.C.F.C. In commenting on the lending activities of the banks and the I.C.F.C. the Committee emphasizes that it does not fail to recognize the value of the contribution they already make in closing the gap. It is 'simply that we see scope for certain modifications which we believe would enable the banks and I.C.F.C. to do a little more still for the small industrialist than they at present do'.

[1] Presidential address to the Royal Statistical Society.

The banks, suggests the Committee, should assure the borrower that their legal right to repayment of the loan on demand will not be 'prematurely or unreasonably' enforced. If such reassurance is insufficient the banks should make 'term loans' whereby a loan is made at a fixed rate of interest, repayable either by regular instalments over a fixed period or in full at a given date. Such lending is widespread in the American banking system but the Committee concedes that it has never found favour with British banks. The nearest present approach to term loans is the practice of renewing the overdraft at intervals, so that the effect is to provide the borrower with a medium-term loan. This, however, as the report points out, is not the same as a formal loan for a given period.

Turning to the affairs of the I.C.F.C., the comment is made that the 'shareholding banks at first tended to regard it as a temporary concern' but now agree that the corporation has earned itself a permanent place in the monetary system. In consequence, the banks have decided, to the evident satisfaction of the Committee, to extend their participation in the I.C.F.C. by paying up the remaining £7½ million of the equity as well as permitting the corporation to issue debentures on the market. This, comments the Committee, will make it possible for the I.C.F.C. to extend the scale of its operations.

Because the risks deter most potential lenders, even greater difficulties are encountered by the smaller firm requiring funds to exploit commercially a new invention. The Committee advocates that existing institutions make such loans, encouraged by the guarantee, on payment of a premium, of a Government sponsored Industrial Guarantee Corporation. It is conceded that although the demand for such facilities might not be large, losses might well be sustained in the early years. On the other hand, it remarks, 'no proposal which would help accelerate technical developments in British industry can be lightly disregarded'.

Time alone will tell how far these recommendations, if implemented, would fill the 'gap'. Many will feel that there are already enough institutions, and that one answer might be an even greater modification than has been apparent in recent years of the traditional attitude of the lending institutions.

Compulsory Purchase of Land

NEW BASIS OF COMPENSATION

by LORD MESTON

THE basis of compensation payable on the compulsory purchase of land has been radically altered by the Town and Country Planning Act, 1959. In order to understand this alteration one must go back a matter of twelve years to the Act of 1947.

The Old System

The 1947 Act transferred to the State the development rights in all land and provided for a once-for-all payment of compensation for loss of development value, which was limited to a total figure of £300 million. When development was allowed, the developer got back from the State the development value which he was then realizing, and for that he paid a charge equal to the whole of the development value. That was the development charge itself.

The development charge, however, was found to act as a brake on development. Accordingly, the Town and Country Planning Act, 1954, provided that claims against the £300 million would be paid only when the owner of the land suffered loss either by a planning refusal or by a compulsory acquisition. In this way compensation for compulsory acquisition became 'existing use value plus the 1947 development value (if there happened to be any)'.

The element of 'development value' was limited to the figure for the year 1947. In that way hardship developed as the years progressed. The price paid on the compulsory acquisition of 'undeveloped land' was often much less than the full market price which the owner could get in a voluntary sale in the open market. And so there came about a two-price system, a price for private sales and another for public purchases. It is only fair to say that in the case of 'developed land' there was not generally much reason for complaint, because 'developed land' has no value for development beyond its existing use.

Market Value

Now the old system based on 'existing use' and 'development value' has been abolished. The Town and Country Planning Act, 1959, provides in effect that in the case of all acquisitions in pursuance of 'Notices to treat' served after October 29th, 1958, the payment of compensation shall be based on 'market value'.

What precisely is meant by 'market value'? It means 'the amount which the land, if sold in the open market by a willing seller, might be expected to realize'. In days gone by, that was a comparatively simple proposition. But the introduction and growth of town and country planning has introduced a new element which is of great importance. This element is 'planning control'. To put the matter in a nutshell, the amount for which the land will sell in the absence of compulsory acquisition turns on planning control. That is to say, it turns on planning consents that have already been given or that might reasonably be expected. The development plan for the area, as approved by the Minister, is a guide to the planning permissions which are likely to be obtainable.

The question which therefore arises is – What sort of development would be allowed if the land were not required for public purposes? To answer that question, the Town and Country Planning Act, 1959, which came into effect on August 16th, creates certain general assumptions as to planning permission followed by some special assumptions in relation to land comprised in development plans. It may be convenient to discuss these in turn.

Development Assumptions

In regard to 'general assumptions', if planning permission is not in existence for the development (if any) which is to be undertaken on the land after its acquisition, then the existence of a permission for this development should be assumed. For example, if land is being bought for housing, the housing planning permission will be taken into account in the valuation. In this connection it may happen that an authority may buy the land for the purpose of making it available to some *other* body or person to carry out the development. This situation is dealt with by the 1959 Act, which applies where the land is to be acquired for purposes which involve the carrying out of the proposals of the acquiring authority but not necessarily *by* the acquiring authority.

Then there are 'special assumptions' as to planning permission in relation to land comprised in development plans. It may happen, for example, that land is being bought compulsorily for a quite unremunerative type of purpose, but the development plan may indicate that residential or commercial development will be permitted if the land is left with the owner. In such a case it is to be assumed that there is permission for development for the use for which the land is defined or allocated in the development plan. In the above example, therefore, the market value of the land will mean its value for the residential or commercial use as the case may be.

Now it may happen that, (i) there is no express planning permission in existence in relation to the land, and (ii) the provisions of the development plan do not give a clear answer to the question: What kind of development would have been allowed here if the land had not been needed for public purposes?

For example, there may be no development plan in existence. Then there may in fact be a development plan but some land is not allocated for any development in that plan. It is a mistake to assume that development will be absolutely prohibited in all circumstances on any land not allocated for development. For instance, 'infilling' between two existing houses might be allowed although the land was not allocated for development. But the most usual difficulty arises where the development plan does not provide a sufficient guide to permissible development.

To get over this difficulty, the new Act has created a system under which, on the application either of owners or of acquiring authority, the planning authority will issue a certificate saying what development, if any, might reasonably have been expected to be permitted if the land were not proposed to be acquired compulsorily.

New Procedure

The applicant for the certificate must state what types of development he thinks would be appropriate for the land, and must state that he has notified, or is notifying, the other party on a particular date, and the local planning authority must not take a decision on the application until twenty-one days after that date.

If an applicant for a certificate indicates two classes of development – call them Classes 1 and 2 for the sake of argument – for which he thinks a certificate might properly be issued, the planning authority can agree and issue a certificate accordingly. Alternatively, the planning authority may decide that one or more of the classes of development applied for will be suitable and that some additional class, not mentioned by the applicant, may also be permitted. Thus, if the applicant has applied in respect of Classes 1 and 2, the planning authority might think that Class 1 was suitable and Class 2 was unsuitable, but that there was a third class (not mentioned by the applicant) which was also quite suitable. Again, the planning authority may decide that neither of the classes applied for are suitable, and substitute their own ideas on the subject entirely. Yet again, the planning authority may say that no development would have been permitted other than that proposed by the acquiring authority. The certificate procedure is something entirely new and it will be interesting to see how it works in practice.

Additional Compensation

So much for the various methods of ascertaining what planning permission is assumed, or will be deemed to exist in relation to the particular piece of land which is being compulsorily acquired. We may now pass on to a different matter, namely, the *additional* compensation that may be awarded in certain events. The 1959 Act gives the owner the right to claim additional compensation where land is bought for one purpose and subsequently used for a more profitable one within a certain time. For example, the acquiring authority may purchase the land for, say, housing, and later change its mind and decide to use the land for industry. The acquiring authority will then proceed to obtain the necessary *new* planning permission allowing industrial development on the land in question. Now an industrial purpose is much more valuable than using land for housing, and if the owner of the land had foreseen the future intentions of the acquiring authority he would have stood out for a higher price than that which he originally received. So the new Act provides that the original owner of the land can claim additional compensation if a new planning permission is obtained *within five years* of the completion of the acquisition.

If, on the other hand, it so happens that the acquiring authority buys land for one purpose, paying compensation accordingly, and then changes its mind and uses the land for a less valuable purpose, there is no question of the owner having to pay back any part of the compensation which he originally received.

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The Limits of *Gourley*

BREACH OF CONTRACT TO SELL SHARES

by W. H. D. WINDER, M.A., LL.M.

THE Sixth Report of the Law Reform Committee for Scotland[1] was concerned with

'The relevance, in a question of the assessment of damages, of any liability to tax of the person entitled to the damages (with particular reference to the decision in *British Transport Commission v. Gourley* (1956 A.C. 185)[2].'

It appears that at the time when the report was written, a full account was not available of the important Court of Session decision in *Spencer v. Macmillan's Trustees*. In paragraph two the committee refer merely to a note of the judgment of the Lord Ordinary, the equivalent of an English High Court judge of first instance. His decision was later upheld on appeal by four judges in the Inner House (Second Division), these appellate judgments now being available,[3] together with the judgment of the Lord Ordinary (Cameron).

In *Spencer v. Macmillan's Trustees*, the Court declined to apply the *Gourley* principle to damages for breach of a contract to sell shares in a company, and there seems no doubt that the English Courts would have reached the same conclusion. Lawyers, whether English or Scottish, will welcome this decision. Chartered accountants will welcome it also, for both the English and the Scottish Institutes recommended to the Law Reform Committees that the law as laid down in the *Gourley* case be changed.

Gourley, of course, is notable for the decision that in assessing damages for loss of earnings through personal injury, there should be taken into account the liability to income tax and surtax which the injured party would have incurred if he had received the lost earnings. The principle of the decision has been applied to damages to trespass, to damages for breach of a service agreement, to damages for breach of a contract to pay a pension, and to that part of the compensation payable by a local authority for the compulsory acquisition of a factory which was attributable to loss of profits (see *West Suffolk County Council v. Rought* (35 A.T.C. 315; [1957] A.C. 403)).

[1] Cmnd. 635. H.M.S.O. 1s net.

[2] See also 34 A.T.C. 305.

[3] S.L.T.R. 1959, 41; 37 A.T.C. 388.

Measure of Damages

A different situation was presented to the Court in the *Spencer* case. The question was (assuming that the law was the same in Scotland as in England) whether the principles of the previous decisions applied.

The question came before the Court in the following form. An agent acting on behalf of himself and undisclosed principals entered into a contract for the purchase of the share capital of a limited company for the sum of £1,150,000. The company was a public company whose shares were not quoted on any stock exchange and at the material dates the deceased, with whom the contract was averred to have been made, and members of his family owned the majority of the shares and were in control of the company. The pursuer (plaintiff) averred that the contract had been repudiated by the deceased in a letter and for that breach the pursuer sued for £249,000 which he alleged was the difference between the contract price of £1,150,000 and the market value of the whole of the issued share capital of the company at the date of the breach.

The defenders denied that any concluded contract had ever been made with the pursuer. They averred that matters between the pursuer and the deceased had never got beyond the stage of negotiations, and that consequently when the deceased withdrew from further negotiations there had been no breach of contract and no damages were due. This issue has not yet been decided by the Court. Damages may or may not be due in respect of the alleged breach of contract but the Court has decided a preliminary question (which is possible under Scottish legal procedure) as to the method of assessing damages, if due. If due, the Court has said that there will be no deduction from the damages on the *Gourley* principle. This will be so in spite of the defenders' averment denying that the pursuer sustained a capital loss and averring that the proposed transaction for the purchase of the shares and the subsequent disposal of them was a business operation in pursuance of a scheme for profit-making and constituted a trading venture.

The pursuer's case was a simple one. He said that for himself and others he bought a limited

company and that the seller refused to complete the bargain. And, as countless disappointed buyers have also said, he said that his damages were the difference between the contract price and what was the value of the company at the date of the breach. This is the normal measure of damages in an action for breach of a contract to sell. The defenders argued that this normal measure of damages did not apply to such a case.

It was contended that the pursuer and his principals, whether in respect of the transaction taken by itself, or in respect of it as part of a series of transactions, were carrying on a trade as buyers and sellers of companies, with a view to earning profits. The sum sued for was, in the defenders' view, earnings of this company-buying concern just as *Gourley*'s fees were earnings or as *Rought*'s company profits were earnings. Consequently, it was argued, the first requisite for the *Gourley* principle was present. It was also suggested that the second requisite was present also.

Two Requisites of the *Gourley* Principle

In his judgment the Lord Justice Clerk (Thomson) said that for the application of the principle there appear to be two requisites and he decided that the first requisite was absent. The first requisite was that what was claimed by the injured party was a payment which was in effect a substitute for earnings which would have been subject to tax, and the second was that the Inland Revenue would not exact tax from the substitute. In phraseology which rings strangely even in legal circles south of the Tweed, the Lord Justice Clerk propounded the two requisites thus:

> 'First, what was claimed by the injured party was a payment which was in effect a surrogatum for earnings which would have been subject to tax and second, that the Inland Revenue are not in use to exact tax from the surrogatum.'

Several matters were considered in the judgments (including that of the Lord Ordinary) in the *Spencer* case but it was disposed of on a simple ground. This should be regarded as the *ratio decidendi* of the decision and is stated in the following passage from the Lord Justice Clerk's judgment:

> 'The contention that the sum sued for being the difference between the contract and the market price at the date of the breach can be regarded as earnings of the concern buying and selling companies seems to me to be unsound. Damages are compensation for loss. What the pursuer lost was a valuable asset; what he asks is the value of that asset at the date of the breach. What he gets is the equivalent in cash of what the asset would have been worth to him had he got it at the time when he contracted to get it. When he gets the monetary surrogatum of the asset which he should have got, he is in a position to use it as he would have used the original asset as a means of earning profit, but it is just playing with the word "profit" to describe as earnings the sum representing the increased capital value.'

On this view the defenders failed because they had not brought themselves within the scope of the first *Gourley* requisite. It became unnecessary for the Court to deal with the second requisite but the contentions in this respect are interesting. They were faced with the difficulty that in *Gourley* it was agreed on all sides that the particular claim for damages in that case would not make the damages taxable in the hands of the recipient. The defenders in *Spencer* argued that the damages for breach of contract which they hailed as earnings (thus satisfying the first requisite) suffered a change in the hands of the recipients and was there transmuted into capital and so immune from income tax (thus satisfying the second requisite).

Damages for Loss: When the Loss is Not Assessable to Tax

The decisions in the cases of *Gourley* and *Rought* authorized the deduction from the amount of damages which would otherwise have been awarded of the income tax which the plaintiff would have had to pay if he had not been deprived of an asset by the defendants' act. The asset of which the plaintiff had been deprived was in each case plainly income, plainly assessable to income tax, and obviously would have been assessed to income tax. Further, it was established to the satisfaction of the House of Lords that income tax would not be levied on the sum awarded as damages. The House therefore thought it out of touch with reality to award the plaintiff as damages for being deprived of that income, the full amount of it, since he would inevitably have had to pay income tax upon it if he had received it. Very different considerations come into play when one is assessing damages for failure to deliver the subject-matter of a contract of sale.

When the subject-matter of a contract of sale is delivered it is not possible to say that the buyer has made a profit which is assessable to income tax. That can only be said if and when the buyer has exploited the article commercially and at a profit. The buyer may decide not to resell the

article but to keep it for his own use, or to make a gift of it, in which case he never makes a profit on it which is assessable to income tax. The buyer may miss the market available to him when the article falls to be delivered. The damages are fixed at that date. It follows that, if damages are awarded, the buyer could have made a profit by reselling the article at the delivery date. But he may hang on in the hope of making a larger profit and ultimately dispose of the article at a loss.

The Intention of the Buyer

Contrary to the defenders' submission in the *Spencer* case, the Court considered it to be of no moment that the intention of the buyer when he entered into the contract of sale was to resell the article and reap a profit. He might change his mind and keep the article to himself, or his hopes of making a profit might never be realized because he lost his favourable market and ultimately had to resell at a loss. It was suggested that the fact that an award of damages is only made if the value of the article at the delivery date exceeds the contract price demonstrates that a plaintiff who is to be awarded damages has made a profit on the transaction. But the question is: 'Has he made a profit assessable to income tax?' The fact that damages fall to be awarded on the above basis, demonstrates no more than that he would have acquired an asset at the delivery date of a greater value than the contract price. Whether he makes a profit assessable to income tax or not cannot be determined until he exploits that asset commercially and at a profit.

All this made it out of the question for the Court in assessing damages for failure to deliver transfers of shares to deduct from the damages some sum in the name of income tax. The Court could not say what the fate of the shares in the hands of the buyer would have been. The Court could not affirm that he would have made a profit assessable to income tax. And the Court considered that it should be able to affirm this before it could properly apply the *Gourley* principle.

Comparative Taxation

III – UNITED STATES OF AMERICA

by WALTER HOPE, A.I.B., A.T.I.I.
Lecturer in Taxation, Birmingham College of Commerce

RECENT figures show that the percentage of national income of the United States paid in tax was 21·1 to the Federal authority – and 8·1 to a large number of States, counties, municipalities and districts which enjoy independence in law-making and administration. Taxes on property, real and personal, produced 43 per cent of the revenue of these local authorities, whose other main levies were on sales and use (up to 3½ per cent), petrol (3–7 cents a gallon), income, liquor, tobacco and gifts – at numerous different rates.

Deductions are made for these in computing Federal taxes: a sales tax allowance, for example, is given according to the taxpayer's gross income and number of dependants. Of the Federal Government's revenue, over 70 per cent is from income tax. Subjects of other charges range from liquor, tobacco (cigarettes 8 cents a pack) and 'luxury' manufacturers' or retailers' sales (up to 11 per cent) to wagers (10 per cent), pin-tables or juke-boxes ($10 a year) and 'fruit' machines ($250 a year).

Of interest are: (*a*) Federal estate duty, from which is excluded the first $60,000, charitable bequests and transfers to the surviving spouse: the rates range from 3 per cent to 77 per cent on over $10 million, less a credit for State death duties of up to 16 per cent; (*b*) gifts tax: up to $3,000 per donee per year is not counted, nor the first $30,000 excess ever made by the donor: the remainder is taxable at rates ranging from 2¼ per cent on over $5,000 to 57¾ per cent on over $10 million.

Federal Income Tax

The Federal income tax is payable by citizens of the U.S.A. regardless of residence, by residents regardless of nationality, and by foreign non-residents on income arising in the U.S.A. Stat-

Previous articles in this series appeared in the issues of November 15th, 1958 (France), and February 14th, 1959 (Italy). Subsequent articles will deal with the taxation systems of West Germany and Scandinavia.

istics are given for the Federal fiscal year to June 30th, but non-trading individuals are required to complete a return for the calendar year, while businesses can choose as a fiscal year (1) a regular accounting period of twelve months ending on the last day of any month except December, or (2) a '52- or 53-week period' ending each year on the same day of the week last in, or nearest to the end of, a particular month. A change in accounting period is not allowed within ten years of starting to trade or of the last change. Thereafter it may be effected by means of a short fiscal period, provided (i) there was a profit in the previous year which is not more than 125 per cent of that for the short period when annualized, and (ii) the status of the company in a privileged class remains the same. Tax is due on the fifteenth day of the fourth month following the end of the fiscal year (or of the sixth month in the case of non-residents).

'Gross income' comprises receipts in cash or in kind 'from any source whatever'. For an individual this includes a gain on the sale or exchange of his car, house, or investments, from gambling (less losses), from any 'racket' or from accepting bribes! It does not include benefits from personal use of his own property – for example, the net annual value of his home – from gifts, legacies, or from insurance benefits for death, injury, or sickness. Capital gains or losses are designated 'long-' or 'short-term' according to whether the asset was held for over six months or not. Both are includible at 100 per cent in the gross income of all taxpayers but, where net long-term capital gains of a non-corporate taxpayer exceed his short-term capital losses, a deduction of 50 per cent of the excess is allowed. By an alternative available to all taxpayers, tax may be paid separately at 25 per cent on the excess of net long-term capital gains over short-term capital losses, and on other income at the regular rates. Company and individual taxes are not integrated: dividends received by an individual are assessed again on him, except for his first $50.

Personal Deductions

Gross income less business expenses gives 'adjusted gross income', against which Congress may or may not, at its pleasure, allow personal or 'standard' deductions. These include taxes paid (except Federal income, estate, gift, and import taxes), investment expenses, losses from theft or weather not covered by insurance, donations for public or charitable purposes (not exceeding 20 per cent of adjusted gross income), and medical expenses of the taxpayer and his dependants up to $5,000 (and exceeding 3 per cent of adjusted gross income where he is under 65 years old).

Personal allowances are given as a number of 'exemptions' each of $600, normally one exemption for the taxpayer and each of his dependants, but any person blind or over 65 years qualifies for two; if both blind and over 65 years, for three. Since the Internal Revenue Code of 1954, the normal tax (an overall 3 per cent) has been included in one levy with graduated surtax at rates from 20 per cent to 91 per cent. There are three tables: for an individual; for a 'head of a household' (a single person with dependants); for a married couple which chooses to be assessed jointly rather than as individuals. On $14,000, the tax in these three categories would be, respectively, $4,260, $3,780, and $3,320 (against $3,400 on separate assessments on $9,000 and $5,000); on $28,000, the tax would be $11,980, $10,260, and $8,520 (against $8,840 on separate assessments on $18,000 and $10,000).

From the tax payable is deducted 4 per cent of taxable dividends; 20 per cent of retirement income up to $1,200; and, if not used as a deduction from the income, tax paid abroad up to the United States rate on the foreign income. In addition to this, the United States has double taxation relief treaties with twenty-one foreign countries – Britain, the main Commonwealth countries except India, thirteen European countries, and Japan – under which receipts from certain sources are excluded from gross income.

Withholding of Tax

Persons must add to the tax due, social security contributions of 3⅜ per cent on any self-employment income up to $4,200, less amounts received as an employee. From the latter 2¼ per cent will have been withheld by the employer to add to his own equal amount payable in respect of the employee under the Federal Insurance Contributions Act (FICA). If he employs eight people, the employer must also pay 3⅜ per cent on the payroll under the Federal Unemployment Tax Act (FUTA).

Wages, other than those of agricultural and domestic workers, are also subject to withholding of tax (at 18 per cent on excess over exemptions) by the employer under one of two systems both similar to United Kingdom P.A.Y.E. except that they do not normally take into account other income. Individuals must file with the District

Director of Internal Revenue an estimate of total gross income exceeding $5,000 ($10,000 for a 'head' or 'joint'), and pay any tax due in addition to the withholding in four instalments on 15th of April, June, September and January. Interest is charged at 6 per cent on tax underestimated. Wilful failure to pay estimated tax is punishable by a fine of up to $10,000 or one year's imprisonment or both. Companies too, must estimate if their profits exceed $100,000: for them there are two estimation dates instead of four.

Stock Valuation and Depreciation Methods

In preparing accounts businesses must value opening and closing stocks both by the same method. This may be done either at (1) cost, (2) cost or market value, whichever is lower, applied to each item, or (3) – for commodity dealers – market value. Stock is identified by the first-in-first-out (FIFO) rule, except when last-in-first-out (LIFO) is approved by the Commissioner, in which case cost valuation must be used. A farmer taxed on the 'cash basis' does not take his stock valuation into account; on the 'accrual basis' he has the choice of other systems: the 'farm-price' method, which is market price less the direct cost of disposal; or the 'unit-livestock price' method which provides for the valuation of different classes of animals at a standard unit price for each animal within the class, whether raised or purchased, whether used for breeding, draught, or dairy purposes. A special basis is also applicable to crops which take more than a year from planting to harvesting.

Depreciation is normally computed by the straight-line method at individually-agreed rates; alternatives for tangible assets lasting over three years are the reducing-balance method, using up to 200 per cent of the straight-line rate; any other consistent method (e.g. sinking fund), provided the total deductions during the first two-thirds of the useful life do not exceed the total allowable by the reducing-balance method; or the 'sum of the years' digits' method. By the last method, if an asset has an estimated life of four years, the sum of the years' digits is 4+3+2+1=10. In the first year, four-tenths of the cost is written off, in the second year three-tenths, in the third two-tenths, and in the fourth one-tenth. Depletion of mines (5–23 per cent) and oil and gas wells (27½ per cent) is allowed by a fixed percentage of the gross income therefrom. No allowance is claimable for goodwill or trade-marks. Allowances cannot be carried forward.

Partnership and Corporation Taxation

In a partnership, the normal procedure is to tax the partners as individuals, but if less than fifty in number, all the partners – or any number of them receiving more than 50 per cent of the income – may irrevocably elect to be taxed as a corporation.

At present, corporations pay normal tax at 30 per cent; for fiscal years beginning after June 30th, 1958, the rate will be 25 per cent. Interest received from certain Federal Government obligations issued before March 1st, 1941 (e.g. under Farm Credit Act, 1933), is exempt from normal tax but not from surtax which is payable in addition at 22 per cent on income over $25,000. A deduction of 85 per cent of dividends from other domestic corporations subject to tax is allowed for both taxes. Special relief of 14 per cent out of the 52 per cent payable is given to a 'western hemisphere trade corporation' – a resident company whose income is more than 90 per cent from active trade of which 95 per cent in the past three years was from sources in America outside the United States. Two per cent on consolidated returns is due, except from western hemisphere trade companies and regulated public utilities. Foreign companies not trading in the United States pay at 30 per cent in total.

Any corporation formed to avoid tax on its shareholders pays an additional levy on accumulated taxable income – 27½ per cent on the first $100,000; 38½ per cent on any excess. If more than 50 per cent of the capital is held by less than six persons, it is a 'personal holding company' whose undistributed income is taxed at 75 per cent on the first $2,000, 85 per cent on any excess.

A net operating loss may be carried back and deducted from the two years' prior income, any unabsorbed portion then being set against the profits of the five succeeding years in chronological order. This privilege does not apply to regulated investment companies, or life and mutual insurance companies other than marine. Personal holding companies may only carry forward a loss for one year, and a loss is not deductible in computing the accumulated earnings tax.

A Harvard lecturer in taxation has commented that the complexities of the United States' system 'cast a spell of mysticism over all but the purely mechanical features of administration'. While politicians resist controversial changes, and administrators fear an even more difficult task should changes be introduced, students flock from abroad to study the working of the Internal Revenue Service.

The Accounting World

SOUTH AFRICA

Disclosure of Information Obtained During Audit

THE Public Accountants' and Auditors' Board (the statutory authority set up to control professional activities under the Public Accountants' and Auditors' Act, 1951) recently printed in *The South African Accountant* the opinion of senior counsel which had been taken to determine whether an auditor must disclose certain information obtained during the conduct of an audit. The question asked was as follows:

'A registered accountant and auditor has two clients, A. and B. In the course of carrying out an audit for A., he discovers that A. has paid a commission to B.'s manager in respect of goods purchased by B. from A. The question is whether the auditor is entitled or obliged to report this fact to B.'

In giving his opinion, senior counsel considered two obligations imposed on the auditor. Firstly, Rule 2 (1) (*f*) of the Board's disciplinary rules made in terms of the Public Accountants' and Auditors' Act, 1951, prohibits a registered accountant and auditor from divulging to any third party any confidential information which may have been obtained by him in the course of his professional relations with any client, unless the client has expressly assented to the information being divulged or unless the accountant and auditor is obliged by law so to divulge it. On the other hand, Section 26 (3) of the Public Accountants' and Auditors' Act, 1951, itself requires an auditor to report to the person in charge of the undertaking in question any material irregularity of which he has cause to complain in his capacity as auditor. Furthermore, if the irregularity is not dealt with to his satisfaction, or rectified within a period of one month after the date upon which it was so reported, the auditor is required to inform the Board thereof.

It was the opinion of senior counsel that:

'The auditor is neither entitled nor obliged to report the fact that he has discovered to client B. It seems to me to be essential that the auditor, when he performs his duties in relation to the affairs of client A., divorces his mind entirely from anything that he may have gathered or learnt in his capacity as auditor for any other client; . . . that knowledge and information gained from separate clients must be kept in watertight compartments. The auditor, it seems to me, must concern himself with the question as to whether any material irregularities are apparent or become apparent from his examination of the books, accounts and affairs of the particular client with whom he is dealing. He cannot import into his examination of that client's affairs any confidential information which he may have been able to obtain from his employment as auditor by another client.'

Another question which had to be considered, however, was whether the payment of commission was in the nature of a bribe and thus causing an offence to be committed under the Prevention of Corruption Act, 1918. If the auditor gathered from his examination of the affairs of a particular client that a bribe had been paid then he would be obliged to take action under Section 26 (3) of the Public Accountants' and Auditors' Act. Under normal circumstances, the auditor's duty would be to satisfy himself that the commission had been duly paid and vouched for, and he would not ordinarily inquire why a commission had been paid to a particular person. The obligation of the auditor to report under Section 26 (3) would arise only if the material irregularity became apparent from his examination of the affairs of client A. and he should not take into account anything he may have learned as a result of confidential information obtained in the course of his professional relationship with client B.

UNITED STATES

Accounting for Business Combinations

IMPORTANT developments in accounting theory for the treatment of combinations were discussed recently by Mr Andrew Barr, chief accountant, Securities and Exchange Commission, in *The Accounting Review*. He quotes, at the outset, the North American distinction between a merger, where the net assets of one or more entities are transferred to another, and a consolidation, where they are transferred to a new company created for the purpose. Either, says Mr Barr, may be, in effect, a purchase, with one or more groups of shareholders retiring, or a pooling of interests in which all the shareholders participate.

The important accounting distinction is that, in a pooling of interests, since the concept is essentially that there is a continuation of the combined enterprises and not a new start, assets are not written up, goodwills are not accounted for, and the accumulated profits of the combining enterprises are combined in the balance sheet of the new company, instead of disappearing as under the purchase concept of the traditional amalgamation scheme. Mr Barr discusses the asset revaluation and goodwill aspects but not this continuation of the combined profits, which seems all-important.

The four tests originally used, says Mr Barr, to determine a pooling of interests were that there should be a continuity of substantially the same proportionate equity interests, the relative sizes should be comparable, there should be continuity of management and also similar or complementary activities. But the American Institute's Bulletin No. 48 of January 1947 omits the last requirement. It also permits a

subsidiary relationship to survive 'if no significant minority interest remains outstanding and if there are important tax, legal or economic reasons for maintaining the subsidiary relationship . . .'. Relative size is not now considered decisive, says Mr Barr, and even where the smaller company has represented only 5 per cent to 10 per cent of the combined equity there has been no objection to a pooling of interests accounting, if a strong case has been made for it by other tests. The S.E.C. considers plans for the integration of top management personnel to be significant of the good faith of representations in favour of a pooling. A merger involving a small progressive company and a very large company, needing the particular talents of the officers of the smaller company, may satisfy the requirement as to continuity of management.

GERMANY

Proposed Company Law Amendment

IN February 1959, a proposal for the amendment of German company law was published by the Federation of German Industries in collaboration with the Federation of Private Banks, the Union of Employers' Federations, the Council for Industry and Trade and the Federation of Insurance Companies. Since that date a number of other interested organizations have taken position on the recommendations contained in that report, notably the Investors' Protection Association and the Institute of Auditors.

The latest pronouncement on the subject is that of the German Society of Business Economists summarized in a recent issue of *Die Wirtschaftsprüfung* (Stuttgart). The society, while welcoming the proposal and expressing agreement with the majority of its suggestions, makes its own contributions to the discussion, notably on the questions of hidden reserves and the rights of minority shareholders.

With regard to hidden reserves, the society sees no reason to distinguish between fixed assets and current assets in this respect. Hidden reserves relating to any asset should only be permissible where they result from the application of sound book-keeping principles, aimed at strengthening the business and ensuring its viability for the immediate future. The board of directors should be required to provide shareholders, on request, with an indication of the amount of the hidden reserves contained in the accounts, as a percentage of the profit of the year.

The creation of published reserves is the responsibility of the board of directors, and should normally amount to 50 per cent of the year's profit, in special cases, more.

In spite of this recommendation, the society goes on to suggest that minority shareholders should have the right to challenge adoption of the annual accounts where the annual general meeting has declared a dividend of less than 50 per cent of the year's profit. This right should be restricted to holders of a specified proportion of the ordinary capital, say 5 per cent.

With reference to the proposed grouping of items in the annual accounts, the society suggests that the profit and loss account should be re-named the 'annual results account' (*Jahresergebnisrechnung*). No objection is made to beginning this account with the gross profit, which is stated to be necessary in many cases for the protection of the company, but the year's sales should be declared in the body of the annual report.

AUSTRALIA

Congresses

WINTER is congress time for Australian accountants. The week-end of technical sessions, social and sporting activities from Friday dinner to Sunday lunch-time at a mountain or seaside resort (out of season) is now a regular feature of the accountant's calendar.

The word 'congress', with its denotation of a less formal meeting together than a conference or convention, suggests one of the main benefits to those attending. Notwithstanding the value and sometimes far-reaching influences of technical and philosophical contributions, the greatest single attraction is the opportunity to meet other practitioners and to discuss many problems of common interest in an atmosphere found only at 'the congress'.

For chartered accountants in Australia, the 1959 round began in Western Australia on May 1st, with some eighty members and guests participating, through Queensland (May 22nd–24th), Victoria (June 4th–6th) and South Australia (June 26th–28th), to the New South Wales congress (July 10th–12th) which attracted a 'full house' of 200. In each State one session consisted of an open forum for the presentation and discussion of a variety of subjects including Institute matters and ethical problems.

CANADA

International Systems Meeting

MR LESTER B. PEARSON, P.C., leader of the Liberal Party of Canada, will be the guest speaker at the twelfth annual International Systems Meeting organized by the Systems and Procedures Association of America, to be held at *The Royal York Hotel*, Toronto, from October 12th–14th.

The two other principal speakers will be the Reverend Norman Rawson, pastor of the St. James United Church, Montreal, and Mr Eric Moonman, head of the Human Relations department, British Institute of Management.

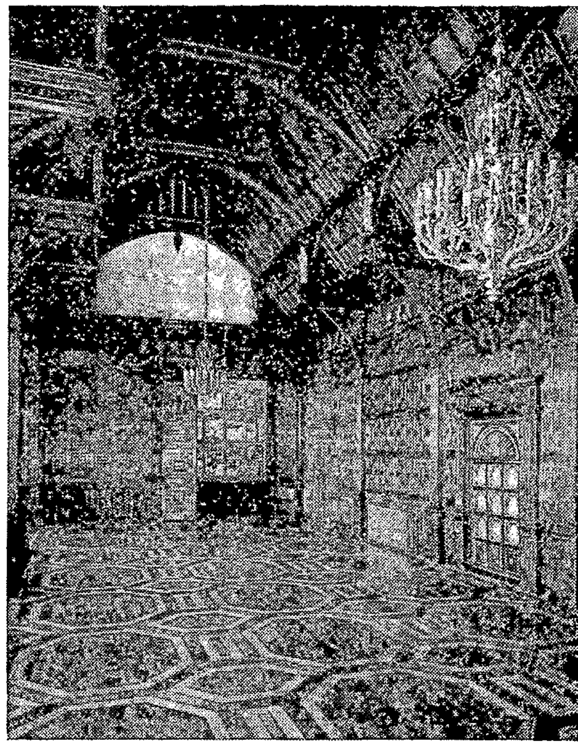
Held for the first time outside the United States, the meeting will bring together administrative executives representing a cross-section of sixty different chapters of the Association from fifteen different countries.

Incorporated Accountants' Hall

INCORPORATED Accountants' Hall, which was built in 1895 by William Waldorf Astor (afterwards first Viscount Astor) as his private residence and acquired in 1928 by the Society of Incorporated Accountants, has now been sold. It has been bought for the sum of £168,000 by a commercial undertaking wishing for the time being to remain anonymous.

Following the death of Lord Astor in 1919, the building became, after an interval, the property of the Sun Life Assurance Company of Canada, who used it as their head office for some seven years until they were forced to seek more spacious accommodation. The Society, which for forty-three years had had its headquarters in the shadow of Guildhall, entered into negotiations for the property which were successfully concluded in 1928. On February 19th, 1929, the Hall was formally opened by H.R.H. the Duke of York (who became King George VI) and the Society entered upon occupation of this elegant building.

The Hall was designed by the late John Loughborough Pearson, R.A., and is of Tudor style with an infusion of Italian feeling in the detail. It may be described as a casket built entirely of Portland stone, containing a magnificent interior of richly carved woodwork with mosaic floors of marble, jasper, porphyry and onyx. Our photographs show the beauty of the exterior and of the large hall with



its fine pencil cedar panelling, mahogany pilasters and mahogany hammer-beam style roof.

On the outbreak of war in 1939, urgent action enabled protection to be given to the roof and the area of the building, mainly by sand-bags, and the stained glass windows were removed to safe storage. The early war years passed without serious damage to the Hall – although windows were broken by blast – and there were hopes that the building might survive relatively unharmed. Unfortunately, these hopes were rudely shattered in the summer of 1944 when, in the early hours of July 24th, observers on

the roof of Electra House, adjoining the Hall, spotted the light of a flying bomb approaching from the south-east. The observers were somewhat relieved by the bomb changing its course when about ten miles off: but unfortunately it reverted to its original path and the engine cut out over Electra House and the Hall with disastrous consequences to both buildings.

At an early date after the damage had occurred, consultations took place with Sir Percy Thomas, a past President of the Royal Institute of British Architects, with regard to restoration, but it was not until 1949 that the work of restoration of the main structure of the Hall began. The work was completed at the beginning of 1951 at a cost of £96,000 and on May 22nd, 1951, the Hall was formally re-opened, and members of the Society and the administrative staff – who had endured many difficult years in temporary accommodation – were able to return to the building which had been restored with all the fine characteristics of the original.

The decision last year to sell the Hall was only reached after the closest consideration and then with regret. The premises were too small to house the enlarged staff of the Institute following the integration of the Society, and the suggestion that the building might well be used as a Chartered Accountants' Club was unfortunately impracticable.

Weekly Notes

Distribution of Industry

WHILE the experience of the last few years suggests that it should be possible to avoid the recurrence of serious industrial slumps of the type experienced during the 1930s, the more rapid rate of technological advance and obsolescence may well give rise to obstinate pockets of unemployment in particular areas. The concentration of the cotton industry and the proposals now under discussion for the coal industry provide current examples of this. The main problem is that of moving the labour force no longer required in a particular area to a district where alternative employment is available or of attracting new industries to the areas of unemployment.

The Treasury revealed last week that the past few months have seen a better response to the Distribution of Industry Act (1958), which gives incentives to firms to move to areas of high unemployment. In the thirteen months since the Act came into force, assistance valued at rather over £5 million has been offered to eighty-three undertakings, creating 5,370 new jobs in the specified areas. Two months ago only £1·1 million had been offered and 2,606 new jobs created. There has thus been a marked increase in the schemes approved during the last two months, though the cost per job provided appears to have increased considerably. Assistance to the value of £3·3 million has been offered to Wales, creating 1,029 new jobs; in Scotland assistance valued at £0·8 million has created 2,283 jobs, and in England £0·9 million has created 2,058 new jobs.

Free Trade

A BOOKLET entitled *The Seven*, published by the London Chamber of Commerce, gives qualified approval to the proposed Free Trade Association of the seven members of O.E.E.C. who are outside the European Common Market. While it is difficult to assess whether the F.T.A. will increase the chances of securing a wider agreement embracing all Europe, the F.T.A. should at least provide the answer to some of the objections which contributed to the breakdown of the former discussions.

The authors of the booklet feel no doubt that the present negotiations constitute the best course for the United Kingdom once the original European Free Trade Area negotiations had broken down and the United Kingdom Government had ruled out the possibility of seeking membership of the European Economic Community. They conclude that there has been a tendency to concentrate attention on possible damage to the British economy rather than on opportunities for expanding exports. While some British industries (paper and board manufacture and watches and clocks are cited as examples) are undoubtedly vulnerable to competition from other countries forming 'the Seven', there are a number of industries including motor vehicles, machinery of all kinds, chemicals and iron and steel which should derive considerable benefits in the form of increased exports to fellow members of the F.T.A. Finally, the psychological aspect of the atmosphere of goodwill and confidence which has prevailed during the negotiations, should not be overlooked.

The 40-hour Week

THE question of the 40-hour week in industry is likely to loom large at the annual conference of the Trades Union Congress this month. There are a number of resolutions on the subject, including several calling upon the T.U.C. to take action.

This question of shorter hours has become increasingly a dominant feature of union tactics since the cost of living became more or less stabilized over the last year. Already in 1959, several of the big unions have passed resolutions at their own conferences on the 40-hour week and, of course, it figured prominently in the recent printing dispute. The miners, railwaymen and Transport and General Workers Union have all come down in its favour

recently and it has had a run, if not a very successful one, with the engineering unions.

The fact that big unions are in favour of it is not likely to make the T.U.C. play a very active part. The unions are jealous of their negotiating powers and these cover, of course, hours of work as well as wages. The T.U.C. is aware of and sensitive about the unions' views and will not run counter to them. The 40-hour week is therefore likely to be an industry-by-industry affair. This does not, however, rule out temporary alliances to get the 40-hour week accepted if some of the unions think that joint action and the tactics of timing make such a move attractive.

Better Machine Tool Orders

THE lag in the recovery of the mechanical engineering industry so far this year has been a feature both of official statistics and general observation. Those who look for an improvement in this vital section of the capital goods industries will take encouragement from the rise in machine tool orders for May as issued by the Machine Tool Trades Association.

In May, net new orders were £7·77 million against £6·30 million in April, a rise of 22 per cent. Home customers account for £6·17 million compared with £4·94 million, a rise of 25 per cent, while new export orders were up to £1·61 million compared with £1·37 million, an increase of 18 per cent.

The recovery was therefore particularly pronounced in domestic orders. May is, of course, the month after the Budget and prospects of investment allowance relief may have depressed the figures for earlier months and inflated those for May. If that is so, the significant jump may overestimate the improvement in the trend. It would not account for all the change, however, and it is possible to say that recovery in machine tools is an established fact.

Record Building Output

FOLLOWING the improvement in machine tool orders there has been news of further expansion in the building industry. For the second quarter of 1959 the value of new building work carried out reached a post-war record of £370 million, while repair and maintenance work added a further £111 million. The total of £481 million compares with £475 million in the second quarter of 1958.

The increase has been brought about by rises of £11 million (nearly 9 per cent) in house building; of £10 million (10 per cent) in public authority work; and £7 million (7 per cent) in repairs and maintenance. On the other hand, industrial building fell by £4 million, while miscellaneous private work, which accounts for only about one-ninth of the total, remained unchanged. The position as regards industrial building was, nevertheless, a good deal better than might have been expected in view of the marked fall in building plans approved last year. While there is still in most industries a considerable volume of spare capacity, the resumption of industrial expansion this year is likely before long to bring about an increase in new industrial building.

Fuel Cell Demonstrated

A HYDROGEN-OXYGEN fuel cell was demonstrated last week as a new type of battery or transportable source of electricity. It is the result of twenty years' work by Mr F. T. Brown, formerly of the Department of Chemical Engineering at Cambridge. It was shown at the works of Marshall of Cambridge Electronics Ltd and has been developed by the National Research Development Corporation.

It is a development of significance, even well before the commercial stage. The basic principle of producing electricity by the oxidation of a chemical fuel has been known for a long time but attempts at control of the process have eluded research until now. A control system has now been successfully devised, although it is as yet both bulky and heavy.

In this country, British Railways are a likely user of the equipment once it has been developed on a commercial scale and the United States automobile industry is reported to be interested. Certainly transport is the field which seems closest to hand for development.

Lower Air Fares

ACCORDING to the annual report of British European Airways for 1958–59, the Corporation are to press for economy-type services on European air routes similar to those already available on the North Atlantic routes and for other economies, including cheap fares on holiday routes and greater differentials for mid-week and other 'off-peak' travel. The Corporation expect to encounter some opposition to these proposals from foreign airlines, some of whom would be faced with the conversion of aircraft which are due for replacement in a comparatively short time.

To the layman, the meetings of the International Air Transport Association often give the impression that fare reductions and other desirable developments are prevented by opposition from some of the weaker airlines. While there is undoubtedly some truth in this, B.E.A. themselves defend the rate-making machinery of I.A.T.A. and argue that if it were abolished some other organization would have to be devised by Governments to replace it. They say that even when a large majority of the members of the Traffic Conference disagree with a proposed rate reduction, their opposition rarely results in more than a short delay in introducing the lower fares. There seems little doubt that the B.E.A. proposals are soundly based, aiming as they do to increase the total volume of air travel and at the same time to level off the worst seasonal peaks by spreading the load more evenly. It will be interesting to see what proportion of these proposals are approved at the forthcoming I.A.T.A. meeting in Honolulu.

Reviews

Illustrations of Management Accounts in Practice

by A. G. B. BURNEY, O.B.E., B.A., F.C.A. (Gee & Company (Publishers) Ltd, London. 30*s* net.)

The genesis of this book was a paper given by Mr Burney at the conference on management accounting at Eastbourne in 1956 arranged by the London and District Society of Chartered Accountants. To his original material, which consisted of a specimen set of management accounting statements for a small engineering business, together with comments on these and other cognate statements and observations on the presentation of such information to management, the author has added – first, a linking chapter on 'Getting started in management accounting', and then three others on procedures: one on setting up standard costs and budgets; a second on describing the costing and financial system of the company; and a third on how to develop a system of management accounts. This further material is also illustrated with specimen budgets, account rulings and entries.

By planning his narrative in this way, Mr Burney presents first the end and then the means. The reader's appreciation of the book, therefore, may be to some extent conditioned by the way his own mind works. Many prefer to lead or be led logically through the various stages of an exercise before arriving at the outcome. Mr Burney offers two defences. To put the horse before the cart, as it were, would have destroyed the continuity of his original paper and, also, would have introduced some hard reading at the beginning of the book. The sum of these reasons does not seem wholly to justify the sequence of the text but there are mitigating circumstances. One is that he is addressing readers already partly initiated in his subject and another is that he has the ability consistently to express his meaning clearly without using unnecessary technical jargon. Mr Burney writes with modesty but there is a stratum of sound common sense in all he puts on paper.

As well as describing and illustrating the main theme, the book contains a number of thoughtful reflections on the accountant's role in the effective use of management accounts and on the practical problems which the regular production of these accounts may bring to the surface. It also includes some cautionary advice on what preparations the practising accountant should make before offering an expert service in the exacting medium of management accounting to his clients.

The Accountant in Public Practice

by K. L. MILNE, F.C.A.(AUST.). (Butterworth & Co (Publishers) Ltd, London. 25*s* net.)

The number of books on various aspects of accounting technique is legion, while there is also a formidable body of periodical literature with which readers of this journal are kept in touch by systematic commentaries. But, if the thoughtful inquirer within or without the profession has desired to gain an insight into the social and ethical principles which guide the public accountant in his activities, he has had to distil the facts from a wealth of overlying material. This lack of what might be termed 'professional self-analysis' has now been remedied by Mr K. Lance Milne's very readable book which sets out simply and systematically the principles guiding the relations between the accountant in practice, his staff, his clients and general public.

Mr Milne is a member of the Council of the Australian Institute and has contributed to the pages of *The Accountant*. Within the compass of some 250 pages he has produced a fascinating analysis of the fundamentals of professional accounting life and practice as they exist today in the English-speaking world.

The book covers the whole range of professional activities with an informed and searching eye, and cannot fail to stimulate in readers a fresh sense of dedication in the service of the community. Training, fees, etiquette, types of client, tax relations, honorary work – all are handled with the insight of experience which makes the work a valuable aid for every practitioner, and, for those still aspiring to qualification, a guide to the ideals and conduct which will be expected of them in upholding and enhancing the prestige of their profession at the end of its first century of public service.

Advanced Cost Accountancy

by J. E. SMITH, A.C.W.A., and J. C. W. DAY, B.COM. (LOND.), F.A.C.C.A. (Gee & Company (Publishers) Ltd, London. 21*s* net.)

The layout of this book is unusual, the authors having divided the subject into twenty-six sub-headings of study. Each sub-heading is numbered and these are grouped into eight chapters, the main headings of which may not indicate clear divisions until one has read the book. A large proportion of the work, seventy out of its 170 pages, is devoted to examination questions with model answers to many of them.

Always a useful preliminary, the book opens with the authors' definitions of some costing terms in general use but not always of general meaning. Thus 'cost ascertainment' is distinguished from 'cost accounting' and 'cost control'; while 'budgetary control' and 'cost audit' are put into proper perspective. Techniques are distinguished from methods, and the precise meaning of various terms is explained before they are further used in the text. The plan of the book is progressive and the wording simple. The

reader's attention is focused by sub-headings in bold type, with numerical tabulation of points to be considered, although some of these are little more than tabulated. In Section 19 the problems affecting the valuation of stock and work in progress are boldly summarized, but no conclusions are drawn.

To offer for comment, and perhaps criticism, the answers to actual examination papers is a courageous thing to do, and the student can hardly fail to benefit from the considerable part of the book devoted to this feature – as much from the style and layout of the answers as from the detail itself. (On page 127, however, it is difficult to see why 6*s* per hour is used as the cost of the time factor in coal transport costs, and in the example on page 151, financial accountants may think it strange that no mention is made of the principle of valuing stocks on the balance sheet at the lower of cost or market value.)

The subject of advanced cost accountancy possesses many facets, including tested and accepted principles, theories, and extremely controversial issues, and it is seldom one finds such a comprehensive summary in a book of such readable dimensions. This implies brevity and conciseness of treatment to which is added a clarity of expression and a logical sequence which will make the work acceptable to a wide class of reader.

Taxation of Gifts and Settlements including Pension Provisions, by Stamp Duty, Estate Duty, Income Tax and Surtax

Third Edition by G. S. A. WHEATCROFT, J.P., M.A., Master of the Supreme Court. (Sir Isaac Pitman & Sons Ltd, London. 52*s* net.)

The preface to this new edition rightly points out that since the second edition was published in 1954 a large number of legislative and judicial changes in the relevant law has taken place. In treating them the book has been lengthened by fifty-five pages, but considering the enormous ground which it covers, the book is still of modest size, having only 218 pages of text. This is largely because the author goes straight to the heart of the matter. His treatment of Section 38 of the Finance Act, 1957, dealing with estate duty on *inter vivos* gifts, is remarkably thorough and includes a number of suggestions for circumventing the section by devices to which he gives such picturesque names as 'the repeating trick', 'the strip trick', and 'the in and out trick'.

The new edition also deals with the attack on purchases of reversions contained in Section 28 of the 1958 Act, with about five pages devoted to it. The author deals very much more briefly with Sections 21 and 22 of that Act aimed against settlements which hitherto have escaped the income tax anti-avoidance provisions, notably by virtue of the *Saunders* decision – and he does not bring out all the implications of the decision in *Potter v. C.I.R.* (37 A.T.C. 58) or draw attention to the use to which the Inland Revenue are putting this case. The reference on page 104 to persons resident 'or' domiciled abroad, should be of course resident 'and' domiciled abroad, while on page ten the author errs in saying that the 'Mortgage' head of charge to stamp duty is limited to a security for money which is lent or advanced.

However, these slight errors pale into insignificance in the light of the great contribution which the book makes by its forthrightness and ingenuity.

Tax Planning with Precedents

Third Edition by D. C. POTTER, LL.B., and H. H. MONROE, M.A., assisted by STEWART BATES, M.A. (Sweet & Maxwell Ltd, London. £2 10*s* net. (U.K. only).)

Only two and a half years stand between this edition and the previous one, but as the authors say, the considerable changes in the law in that time have already rendered the second edition obsolete. Fortunately, the income tax changes in the last Finance Act which do not, of course, feature in the new edition are of very little moment on this topic; there have, however, been some important estate duty changes which will have to be borne in mind when the book is used. Apart from that the book is the most up-to-date one available for the tax planner who requires not only a reasonably lucid explanation of the law but also a wide range of precedents drafted with the eye firmly fixed on tax matters.

The book has deservedly become very popular with the experts, though we would take issue with the authors' exposition of the estate duty provisions concerning gifts made in consideration of marriage, where they say that the only effect is to abrogate the requirement that the donor must survive five years, and that the liability in respect of gifts where bona fide possession is not assumed to the entire exclusion of the donor etc. is not affected. This is not so, although not all of the leading estate duty textbooks are entirely clear on this point.

Controls on Company Finance

by B. J. SIMS, LL.B., Solicitor. (Sweet & Maxwell Ltd, London. 25*s* net.)

This book, which deals with capital issues and borrowing control and with exchange control in so far as they affect the ability of companies to raise capital, has to some extent been caught up by events; for the general consent for borrowing and capital issues now granted, and the relaxation of exchange control has made a good deal of the matter somewhat out of date at the moment, although of course there is no guarantee that either the present or the next Government will not reimpose control in substantially the same way as it is expounded in the book. In any case the book offers a very readable study of the history of these controls and the way in which they have been applied in practice.

Unit Trusts and How They Work

(*Second Edition*) by C. O. MERRIMAN, A.C.A. (Sir Isaac Pitman & Sons Ltd, London. 20*s* net.)

Although the unit trust appears to be a modern phenomenon in this country, the idea dates back to 1868 when, on March 20th of that year, the prospectus of the Foreign and Colonial Government Trust was published in *The Times*. The movement, in general, has had an up and down career but, at present, seems firmly established – partly because legal control has been made fully effective and partly because of the great increase in the sources of small funds available for industrial investment.

The first edition of Mr Merriman's book was published in 1937 but post-war developments have caused him largely to rewrite and also to expand his original text. The result is a first-class exposition, fully up to date, of the genesis, the distinctive features, and the mechanics of organization and administration of unit trusts. It should have a place in every professional library.

The Legal Aspects of Industry and Commerce

by W. F. FRANK, LL.B., B.COM., M.SC.(ECON.), DR. JUR. (George G. Harrap & Co Ltd, London. 12*s* 6*d* net (England).)

Outlines of Industrial Law

Third Edition, by W. MANSFIELD COOPER, LL.M., Barrister-at-Law, and JOHN C. WOOD, LL.M., Barrister-at-Law. (Butterworth & Co (Publishers) Ltd, London. 35*s* net, postage 2*s*.)

'A little learning is a dangerous thing', but many people today who are not going to become lawyers have to have some knowledge of the law in order to pass their professional examinations. Since for them law will be only a subsidiary subject, it is not surprising if they run into the danger of confining their studies in this field to what appears to be the bare minimum for examination purposes and thus acquire so limited an understanding of the subject as to be unable to fit what they learn into its proper perspective.

In the circumstances, it is natural that textbook writers try to supply within the covers of one volume the information which students need for a particular examination. So Dr Frank's book is concerned primarily with the needs of management students preparing for the examinations of The Institute of Cost and Works Accountants, the Common Intermediate Certificate in Management Studies, and other professional management bodies. With so wide a field to cover, the author has a difficult task, but his readers are likely to agree that he has succeeded in his avowed aim of giving them a sufficient grasp of the essential principles of commercial and industrial law. How wise of him, however, to hope that they try to read some introductory work so as to broaden their knowledge of the background of his subject! In your reviewer's experience, commercial and industrial law cannot be taught to students who know nothing of the history of the English legal system and the development both of substantive law and of its administration.

An original feature of Dr Frank's book is the appendix of questions and problems. It is a great pity that the dates of cases have been omitted from the text and are only to be found in the table of cases; while the student may not be concerned with references to law reports, he frequently wants to know how long a point of law has been decided.

While also a students' book, that by Mr Cooper and Mr Wood – which in eleven years has reached its third edition – is able to deal much more fully with industrial law, because it does not attempt to range as well over the field of commerce. Much of the law relating to industry has been codified, but Mr Cooper, in his preface to the first edition, rightly emphasizes the value of approaching his subject by means of the study of the common law. Indeed, a great many actions arising out of the relationship of master and servant proceed on the basis of breach of common law rights and duties. Yet, while the authors discuss at some length the master's duties at common law and the defence of *volenti non fit injuria*, they fail to emphasize that the basis is the common law duty of care and the tort of negligence which is committed when there is failure to exercise this duty. Nor does the tort of nuisance receive the consideration which might have been expected in a work on industrial law.

It is no criticism of the authors of either of the books referred to above, but a comment on the rapidity with which the law changes, to point out that the Industrial Disputes Order, 1951, which receives considerable attention in both works, is now a dead letter. Students may be thankful that it is.

Principles of Economic Policy

by K. E. BOULDING. (Staples Press Ltd, London. 30*s* net.)

There must be many readers of this journal who at some time in their lives became sufficiently interested in the economic problems of the age to want to acquire a better understanding of this subject. Probably many of them lost interest after attempting to read one of the many textbooks, not least because the world described in the book seemed to bear little or no relation to the world of their experience. No doubt there is a small fortune waiting for the economist who can write an economics text which will both satisfy the requirements of the student – or more precisely his examiners – and at the same time provide interesting and realistic reading for the older and more mature reader.

A recent book in the field of economics is an American work by Professor Boulding, who is already well known in this country for what is probably the best undergraduate textbook on economic theory since 1945. This new book comes

very close to the ideal book for the adult reader who wants to know how the economic system functions. It is not quite so good for the student, who will have to supplement it with books giving a formal treatment of value theory and the theory of the firm. He should, nevertheless, still read this book for it is well written, and discusses the problems that the man in the street regards as 'economic'.

RECENT PUBLICATIONS

ACCOUNTING AND ACTION: An Introduction to the Methods and Scope of Accounting, by R. J. Chambers. viii+248 pp. 8½×5½. 27s 6d net. The Law Book Co of Australasia Pty Ltd; United Kingdom Agents: Sweet & Maxwell Ltd, London.

ESTIMATING FOR PRINTERS. Eighth edition. v+218 pp. 10×6½. 25s (United Kingdom only.) Published by The British Federation of Master Printers, 11 Bedford Row, London, WC1.

TAX CASES, reported under the direction of the Board of Inland Revenue. Vol. 38, Part 3. Pages 155–232 9½×6. 3s 6d net. Her Majesty's Stationery Office, London.

PORTFOLIO SELECTION: Efficient Diversification of Investments, by Harry M. Markowitz. Monograph 16: Cowles Foundation for Research in Economics at Yale University. xi+344 pp. 9½×6. 60s net. John Wiley & Sons Inc, New York.; United Kingdom Agents: Chapman & Hall Ltd, London, WC2.

HIRE-PURCHASE ACCOUNTS AND FINANCE, by H. Simpson Cook, F.C.I.S., J. Anderson Hermon, A.C.A., and H. Pearse, A.A.C.C.A. 144 pp. 9×5½. 27s 6d net. Gee & Co (Publishers) Ltd, London.

THE 1959 INCOME TAX LEGISLATION, being a supplement to *Silke on South African Income Tax* and *The 1958 Income Tax Legislation*, by A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). 44 pp. 10×6. Card covers. 12s 6d. Juta & Co, Ltd, Cape Town.

MACHINE ACCOUNTING, by Owen Sutton, M.S.M.A., A.C.I.S. Third edition, completely revised by L. M. Nation-Tellery. xiv+278 pp. 9×5½. 42s net. Macdonald & Evans Ltd, London.

Finance and Commerce

Six Months

THE directors of Consett Iron Co Ltd, in their accounts recently published and reprinted herewith, have reverted to their pre-nationalization practice of closing the books at end-March – the current accounts being for six months to that date. It is more convenient for administrative reasons, they say, and suits the company's activities the better.

What can be done once, however, can be done again and it should be well within the bounds of possibility for the board to publish six months' figures as at September 30th next, not necessarily in the full audited annual form but at least in sufficient detail to show how things are going.

Lord Ridley, the chairman, points out that it is difficult to compare six with twelve months, partly because of seasonal factors. During the half-year, he says, the gross trading income before charging debenture interest, depreciation and taxation was £1,359,413 compared with £1,906,281, which is half the figure for the whole of last year. Does this mean that at March 31st, 1958 – or soon after – the board was unaware of the half-year profit figure reliable enough to be used for comparison with that now declared?

Figures alone, of course, do not tell all the story; they need explanation. In *x* period, for instance, the industry was at about the worst point of depression; at *y* things were improving. But once half-year figures have been established, comparison presents no greater difficulty than for any other period.

Reduced Income

In this instance, the chairman is able to say that the 'gross trading income shows a reduction of 30 per cent compared with last year which corresponds approximately with the reduction in the rate of ingot output. The net income before tax, however, shows a much bigger proportional reduction mainly due to the high charge for depreciation' which, he says, illustrates the extent to which a large modern plant depends on operating at or near full capacity.

Consequent on the change of date, a special item of £619,248, described as 'taxation provision no longer required', is included in the profit and loss account. Of this, £55,000 is attributed to the reduction in the standard rate of tax and the remainder represents the saving arising out of the change of the year-end and the consequent acceleration of capital allowances.

Getting About

IF, as we know, companies are legal entities, shareholders in the mass are an anonymous body; just names and addresses in a Register of Members. One may deplore lack of personal contact between members and board and the small attendances at company meetings, but most people have their living to make in their own areas and the post must remain their link with their companies.

There is therefore a great deal to be said for the decision of the directors of the De La Rue Co Ltd to hold their board meetings from time to time outside London and to hold after the meeting a social function at which shareholders in the locality will be able to meet their directors. The first of these meetings takes place next Tuesday in Newcastle.

In this context may be noted the fact that the directors of Metal Industries Ltd, whose headquarters are in Glasgow, are pioneering the holding of annual meetings in other large cities. This year's meeting was in Birmingham. Last year it was in London, and before that in Glasgow. Sir Charles Westlake, the chairman, says it is one way of getting

CAPITAL EMPLOYED

		£	27th Sept.* 1958 £
I	**ORDINARY CAPITAL**	**10,000,000**	*10,000,000*
II	**CAPITAL RESERVES**	**6,052,032**	*6,174,395*
III	**REVENUE RESERVES**	**4,699,922**	*4,382,440*
	ORDINARY SHAREHOLDERS' FUNDS	**20,751,954**	*20,556,835*
IV	**LOAN CAPITAL**	**4,000,000**	*4,000,000*
V	**DEFERRED LIABILITIES**	**1,926,190**	*1,881,190*
		26,678,144	*26,438,025*

EMPLOYMENT OF CAPITAL

		£	£	1958 £
VI	**CURRENT ASSETS**			
	Stock and Work in progress		6,200,318	*7,653,521*
	Debtors and payments in advance		2,789,130	*3,274,432*
	Tax Reserve Certificates		—	*1,400,000*
	Balance with bankers and cash in hand		2,096,263	*651,199*
			11,085,711	*12,979,152*
VII	**CURRENT LIABILITIES**			
	Creditors and accrued charges		2,642,044	*2,631,445*
	Taxation		199,168	*1,946,518*
	Proposed Dividend—Net		267,969	*330,625*
			3,109,181	*4,908,588*
	CURRENT ASSETS less CURRENT LIABILITIES		**7,976,530**	*8,070,564*
VIII	**FIXED ASSETS**		**19,022,245**	*18,675,655*
IX	**TRADE INVESTMENTS**		**22,145**	*22,145*
			27,020,920	*26,768,364*
	Deduct:	£		
X	**PROVISION FOR RELINING AND MAINTENANCE**	139,844		*136,728*
XI	**PROVISION FOR CLAIMS AT COMMON LAW**	202,932		*193,611*
			342,776	*330,339*
			26,678,144	*26,438,025*

RIDLEY, *Chairman.*
CLIVE COOKSON, *Director.*

NOTES

I The Authorised share capital is 15,000,000 ordinary shares of £1 each of which 10,000,000 shares have been issued fully paid.

As part of the agreement with the Finance Corporation for Industry, Ltd. ("F.C.I.") referred to in note IV below, F.C.I. has the right to subscribe at any time on or before 30th September, 1965 for not more than 1,000,000 ordinary shares of £1 each at par.

	1959 £	*1958 £*
II CAPITAL RESERVES		
Fixed Assets Replacement {Amounts set aside towards increased cost of replacement of fixed assets}	2,686,346	*2,686,346*
General Reserve (After deduction of expenses of issue of new debentures)	3,210,686	*3,338,049*
Investment Allowances (Taxation relief in respect of Capital expenditure)	155,000	*150,000*
	6,052,032	*6,174,395*
III REVENUE RESERVES		
General	3,700,000	*3,700,000*
Trading Contingencies Reserve	150,000	—
Profit unappropriated	849,922	*682,440*
	4,699,922	*4,382,440*

IV The £4,000,000 5% Redeemable Debenture Stock 1975/85 (issued on 6th December, 1955) is secured by a first floating charge on the assets and property of the Company. The Stock is held by the Iron and Steel Holding and Realisation Agency.

The Company has entered into an agreement with F.C.I. whereby F.C.I. will, during the period ending 31st March 1961, advance sums as required by the Company for its development scheme not exceeding in the aggregate £9,000,000. These sums are to be repaid not later than 30th September, 1965.

The Company has also made arrangements with Barclays Bank, Ltd. and Lloyds Bank, Ltd. whereby the Company may borrow up to £6,000,000 by way of overdraft until 30th September, 1965 with further overdraft facilities up to £3,000,000, if necessary.

As security for the borrowings from F.C.I. and from Barclays Bank, Ltd. and Lloyds Bank, Ltd. the Company has issued to them debentures charging by way of floating charges the whole of the Company's undertaking, assets and property such charges ranking in point of security after the charge securing the 5% Redeemable Debenture Stock 1975/85.

	1959 £	*1958 £*
V DEFERRED LIABILITIES		
Future Taxation		
Income Tax due 1st January, 1960	332,500	*645,000*
Amounts set aside for equalisation of taxation	1,293,690	*1,236,190*
	1,626,190	*1,881,190*
For back service contributions to workmen's pension scheme	300,000	—
	1,926,190	*1,881,190*

VIII FIXED ASSETS

(a) Book value at 1st April, 1948, with net additions since at cost.

	1959 Valuation or Cost £	1959 Depreciation £	1959 Net £	*1958 Valuation or Cost £*	*1958 Depreciation £*	*1958 Net £*
Land	190,431	—	190,431	*190,431*	—	*190,431*
Buildings	4,146,755	534,414	3,612,341	*3,901,792*	*494,139*	*3,407,653*
Plant and Machinery	24,009,023	10,040,216	13,968,807	*23,414,315*	*9,348,084*	*14,066,231*
	28,346,209	10,574,630	17,771,579	*27,506,538*	*9,842,223*	*17,664,315*
Development			508,929			*182,932*
(b) As valued by Officials of the Company.						
Loose Tools and Plant			741,737			*828,408*
			19,022,245			*18,675,655*

IX Trade Investments are included at cost.

CAPITAL COMMITMENTS

	£
Subject to contract	7,100,000
Authorised by the Board	20,550,000
	27,650,000

to know more of the company's stockholders and for them to become personally acquainted with the members of the board who run the company.

Tax Division

LORD ABERCONWAY, the chairman of John Brown & Co Ltd, the shipbuilders, draws attention to the item 'Future United Kingdom taxation', which this year has been divided to show separately the amount of income tax that will fall to be paid next January and the amount of the taxation equalization account.

The balance on the equalization account, he points out, represents, in terms of tax at current rates, the amount by which the book value of plant exceeds its written-down value for taxation purposes. The tax on this excess has to be found over the remaining life of the plant. In the years when the provision for depreciation in the accounts exceeds taxation capital allowances, the balance on taxation equalization account will be reduced, and when the contrary obtains it will be increased.

In this way, says the chairman, the tax on this excess will be debited to taxation equalization account and not to profit and loss account. By this system, the charge for tax in the accounts each year is more closely related to actual as distinct from taxable profits.

It was at the John Brown Clydebank shipyard that the Atlantic 'Queens' were built and the report records that the company has, in consultation with Cunard, developed the basic design for a new express passenger vessel for the transatlantic service.

CONSETT IRON COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the 26 Weeks ended 28th March, 1959

			52 weeks ended 27th Sept., 1958
	£	£	£
EXCESS OF TRADING INCOME OVER EXPENDITURE		1,359,413	*3,812,563*
BEFORE CHARGING:			
Depreciation	736,234		*1,400,297*
Directors' Emoluments	15,055		*26,538*
(Fees £4,000, other remuneration £9,555, pension for services as executive £1,500)			
Contributions to Staff Superannuation Fund	34,805		*62,790*
Interest on Debenture Stock	100,000		*200,000*
		886,094	*1,689,625*
		473,319	*2,122,938*
ADD—Income from Trade Investments (gross)	759		*2,530*
Other interest	55,683		*91,266*
		56,442	*93,796*
NET INCOME BEFORE TAXATION		529,761	*2,216,734*
TAXATION ON NET INCOME FOR THE PERIOD			
Profits Tax	55,000		*225,000*
Income Tax	146,058		*615,157*
Amounts set aside for equalisation of taxation	57,500		*171,500*
		258,558	*1,011,657*
		271,203	*1,205,077*
ADD—Taxation provision no longer required in consequence of reduction of standard rate and change of accounting date	619,248		*20,252*
Non-recurring Income £205,778 less tax £47,585	—		*158,193*
		619,248	*178,445*
		890,451	*1,383,522*
DEDUCT—Amount set aside			
Towards cost of back service contribution to workmen's pension scheme	300,000		—
Towards increased cost of replacement of fixed assets	—		*350,000*
		300,000	*350,000*
SURPLUS AVAILABLE FOR APPROPRIATION		590,451	*1,033,522*
Amounts transferred to reserves			
General reserve	—		*500,000*
Investment allowances reserve	5,000		*4,650*
Trading Contingencies Reserve	150,000		—
		155,000	*504,650*
		435,451	*528,872*
Dividends recommended—net			
Interim Dividend of 3%—paid 7th July, 1959	183,750		*172,500*
Final Dividend of 1⅜%	84,219		*330,625*
		267,969	*503,125*
INCREASE IN THE PERIOD IN UNAPPROPRIATED PROFITS		167,482	*25,747*
UNAPPROPRIATED PROFITS OF PREVIOUS YEARS BROUGHT FORWARD		682,440	*656,693*
TOTAL UNAPPROPRIATED PROFITS AT 28th MARCH, 1959		849,922	*682,440*

CITY NOTES

NEITHER the continued strong pace of the rise nor the potentially strong competition from new issues has kept the stock-markets in check. With *The Financial Times* share index establishing new peaks almost every successive day, the industrial equity sections continue to advance on a broad front.

Against this movement the gilt-edged market continues to be subjected to selling pressure, partly from the banks who still show a steady increase in advances, and partly from the movements of funds towards New York where an increase in short-term money rates has put those rates ahead of the Treasury bill rate here.

The scissors movement between the consol and equity yields has failed to disturb equity investment confidence. The gradual establishment of the equity market on a growth rather than dividend yield basis and the existence of a 4 per cent Bank rate during a period of completely free credit combine to make the crossing of the yield lines largely a theoretical matter.

Industry undoubtedly has a most imposingly firm stock-market on which to raise new money and the pressure of rights and other issues is increasing. The Plessey Company has this week announced new issue plans involving more than £4 million.

In the new share offer market, current interest is centred in the offer of ordinary shares in Mr Charles Clore's City and Central Investments property concern. The company is being brought to the market on a valuation basis of some £20 million and the new share offer will be made next week.

RATES AND PRICES

Closing prices, Wednesday, September 2nd, 1959

Tax Reserve Certificates: interest rate (Nov. 1958) $2\frac{1}{4}$%

Bank Rate

Feb. 16, 1956	$5\frac{1}{2}$%	May 22, 1958	$5\frac{1}{2}$%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	$4\frac{1}{2}$%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

June 26	£3 9*s* 0·52*d*%	July 31	£3 9*s* 8·19*d*%
July 3	£3 9*s* 0·06*d*%	Aug. 7	£3 9*s* 7·97*d*%
July 10	£3 9*s* 0·22*d*%	Aug. 14	£3 9*s* 8·13*d*%
July 17	£3 9*s* 0·16*d*%	Aug. 21	£3 9*s* 8·39*d*%
July 24	£3 9*s* 0·13*d*%	Aug. 28	£3 9*s* 9·03*d*%

Money Rates

Day to day	$2\frac{3}{8}$–$3\frac{1}{8}$%	*Bank Bills*	
7 days	3–$3\frac{1}{8}$%	2 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
Fine Trade Bills		3 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
3 months	$4\frac{1}{4}$–5%	4 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
4 months	$4\frac{1}{4}$–5%	6 months	$3\frac{9}{16}$–$3\frac{11}{16}$%
6 months	$4\frac{1}{2}$–$5\frac{1}{4}$%		

Foreign Exchanges

New York	2·80$\frac{1}{16}$–$\frac{1}{8}$	Frankfurt	11·72$\frac{1}{8}$–$\frac{3}{8}$
Montreal	2·67$\frac{5}{16}$–$\frac{3}{8}$	Milan	1738$\frac{1}{8}$–$\frac{3}{8}$
Amsterdam	10·59$\frac{1}{4}$–$\frac{1}{2}$	Oslo	20·00$\frac{1}{2}$–$\frac{3}{4}$
Brussels	139·99–140·01	Paris	13·73$\frac{1}{8}$–$\frac{3}{8}$
Copenhagen	19·34$\frac{3}{4}$–·35	Zürich	12·10$\frac{1}{8}$–$\frac{3}{8}$

Gilt-edged

Consols $2\frac{1}{2}$%	$51\frac{9}{16}$xd	Funding 4% 60–90	$91\frac{1}{8}$
Consols 4%	$73\frac{3}{16}$	Savings $2\frac{1}{2}$% 64–67	$84\frac{1}{4}$
War Loan $3\frac{1}{2}$%	$65\frac{3}{16}$	Savings 3% 55–65	$90\frac{1}{4}$
Conversion $3\frac{1}{2}$%	$64\frac{3}{16}$xd	Savings 3% 60–70	$81\frac{7}{16}$
Conversion $3\frac{1}{2}$% 1969	$87\frac{7}{8}$	Savings 3% 65–75	$75\frac{7}{8}$
Exch'qu'r $5\frac{1}{2}$% 1966	$102\frac{3}{4}$xd	Treasury $2\frac{1}{2}$%	$47\frac{3}{4}$xd
Funding 3% 66–68	$84\frac{3}{8}$	Treasury $3\frac{1}{2}$% 77–80	$78\frac{1}{4}$
Funding 3% 59–69	$84\frac{3}{8}$	Treasury $3\frac{1}{2}$% 79–81	$77\frac{1}{8}$
Funding $3\frac{1}{2}$% 99–04	$71\frac{3}{8}$	Victory 4%	$95\frac{1}{8}$

Current Law

Liability for Defective Equipment

IN *Davie v. New Merton Board Mills Ltd and Others* ([1959] 1 All E.R. 346) the House of Lords dismissed an appeal from the decision of the Court of Appeal ([1958] 1 All E.R. 67) which had reversed in part an order of Ashworth, J. ([1957] 2 All E.R. 38, 384). The appellant had lost the sight of an eye through the breaking of a drift supplied to him by his employer, the first respondent. The employer had bought it from a reputable supplier, who had bought it from the manufacturer, the second respondent.

Ashworth, J., gave judgment against both the employer and the manufacturer, with full contribution to the former against the latter, but the Court of Appeal allowed an appeal by the employer. Before the House of Lords it was contended that an employer was responsible for the defect in goods which he bought in the market, if it could be shown that that defect was due to the want of skill or care on the part of anyone who was concerned in their manufacture. Their lordships rejected this argument and held that the employer had fulfilled the duty owed by the employer to the appellant, namely, to take reasonable care to provide proper appliances, and was not liable for the negligence of the manufacturer. There was no contractual relationship between the employer and the manufacturer, since the drift had been obtained from an intermediate supplier, and the manufacturer was not acting as a person, whether servant, agent or independent contractor, to whom the employer had delegated the performance of any duty which it was for the employer to perform. Lord Tucker expressed the opinion that it would have made no difference if the drift had been purchased by the employer direct from the manufac-

turer, but added that an employer might, however, render himself liable to his servant for injury suffered by him by reason of a faulty specification prepared by the employer for the manufacturer, or where the manufactured article might require some inspection or test after delivery.

Master and Occupier Liable for Unusual Danger

A FITTER who was employed to overhaul a lift found one of double doors giving access to the machine house jammed. He put his hand on this door to help himself up into the machine house and the door gave, with the result that he fell and was injured. He knew that the door was defective and had in fact reported it to his employer, and his employer had reported it on four occasions to the occupiers.

In *Smith v. Austin Lifts Ltd and Others* ([1959] 1 All E.R. 81) the House of Lords held that the occupiers were liable and also (Lord Reid dissenting) that the employer was liable. Their lordships found that the plaintiff, although he knew of the defective state of the door, could not be said to have had full appreciation of the danger. The unusual danger which existed was not only known to the occupiers, but was due to their own act, and accordingly they were responsible for the accident which occurred. It was the duty of the employer to make sure that the place at which the plaintiff was to work was reasonably safe, and this duty was not fulfilled: but Viscount Simonds, having referred to the principle emphasized in *Winter v. Cardiff Rural District Council* ([1950] 1 All E.R. 819), that there is a sphere in which it is reasonable to leave to a skilled workman the decision whether the difficulty which he encounters is one in which he needs help, deprecated any tendency to treat the relation of employer and skilled workman as equivalent to that of a nurse and imbecile child.

Gift Subject to Condition as to Time

THE testatrix in *Re Selinger's Will Trusts, Midland Bank Executor and Trustee Co Ltd and Others v. Levy and Others* ([1959] 1 All E.R. 407) gave a legacy to a named charity and directed that, if this charity was unable or unwilling to give effect to her wish as to the gift, it should go to some other similar charitable institution regarded as suitable by her trustees, with a proviso that if her trustees were not within a year after probate successful in finding such an institution, the legacy should be revoked (which would mean that it would fall into residue). The trustees did not find a suitable charity till two years and four months after probate, but in the meantime it had been impossible to distribute the estate owing to difficulties over estate duty.

Harman, J. (as he then was), referred to the dictum of Romer, J., in *Re Goodwin* ([1924] 2 Ch. 26, 30), that where a gift in a will was made subject to a condition, to be performed within a specified time, but the condition was not in fact performed within that time, then, at any rate in the absence of an express gift over, it was always a question for the Court to determine whether the time so specified was of the essence of the matter: the Court must have regard to what was presumably the intention of the testator in inserting the condition, and if it found that a performance of the condition at a time subsequent to the expiration of the period fixed by the testator in substance provided for the very thing which the testator intended to provide for, so that all parties could be put in substantially the same position as they would have been in had the condition been performed within the proper time, time was not regarded as of the essence, and such performance was treated as a sufficient compliance with the condition.

In the case before Harman, J., there was neither an express gift over nor an express direction that the legacy should fall into residue if the condition were not fulfilled, and his lordship, applying Romer, J.'s, dictum, decided that the intention of the testatrix in inserting the condition was to prevent the distribution of the estate being delayed by the trustees considering what charity should be the object of her bounty; in fact the trustees' delay had not held up distribution at all (since it had been delayed by the estate duty difficulty) and accordingly if the legacy were now paid to the charity which had been found the effect would be produced which the testatrix intended. Time ought not to be regarded as of the essence of the matter, and the trustees' delay ought not to be allowed to defeat the gift.

When Windows are not Walls

THE tenant under a lease covenanted 'To maintain and keep the demised buildings and the said fixtures and fittings therein (except the roofs and main walls of the said dwelling-house . . .) . . . in good repair and condition . . .'. The landlord covenanted 'To keep the main walls roofs . . . in good repair and condition . . .'. There was no covenant on either side as to painting. In *The Holiday Fellowship Ltd v. Viscount Hereford* ([1959] 1 All E.R. 433), the tenant sought to show that the landlord was liable to keep in good repair the windows and window frames because they were part of the 'main walls' of the demised premises. The Court of Appeal held that they were not, so that the landlord was not liable to repair them under his repairing covenant. Ormerod, L.J., however, drew a distinction between the case before him and one where the walls were built so much of glass that it would be impossible to say whether they were walls or windows. Some modern buildings are so constructed (and so was the old Crystal Palace, which Romer, L.J., mentioned in his judgment), and it might be, therefore, that the Court on being asked to decide a similar question in the case of such a building might give a different answer to that given by the Court of Appeal in the case of the ordinary dwelling-house which it was considering.

Electronics in the Office

Automatic Office

A LEO II Automatic Office is to be installed towards the end of the year in the Edmonton Works of British Oxygen Gases Ltd. The equipment which will include magnetic tapes, a large magnetic drum and high speed printers, will be one of the most powerful assemblages of commercial computing equipment installed in an industrial organization in Great Britain.

Acquired primarily to carry out a comprehensive series of production schedules and control tasks, the computer will also give general service to the remainder of the group. Among its tasks, LEO will be used to trace, and anticipate, sales trends of 8,000 products ranging from giant oxyplanes to breathing apparatus; calculate production needs by anticipating sales and taking into account known stocks; keep stocks at lowest possible level so that they still meet customer requirements; calculate requirements for raw materials; invoice depots for the goods received; and calculate earnings and prepare pay documents. In the first instance, it is intended to run certain aspects concerned with standard costing, district sales forecasting and replenishment on a LEO service machine. This will build up an immediate work load for the company's own computer as soon as it is installed.

Accounting Machine with Electronic Multiplication

THE development of a new all-purpose accounting machine with integrated electronic multiplication in sterling has been announced by the National Cash Register Co Ltd.

The machine – called the COMPU-TRONIC – embodies all the features which have made the National Class 31 accounting machine renowned for its high degree of automaticity. In addition to these features, the COMPU-TRONIC can automatically multiply in sterling as a side-product of normal record posting.

Multiplication is carried out electronically from the direct entry of the factors on the figure keyboard or from selected fixed factors. The separate programme bar provides complete control over selection of factors, and the calculation and reading of product-key controls permit calculation independent of the programme control. Multiplication is so fast that no extra time is required above the normal time for entering, posting and accumulating data. For example, overtime rates, dividend percentages, discount and purchase tax percentages etc., can be retained in the machine and called for by the programme bar where required.

Another feature is that calculations can be made in decimals of pence but the result automatically prints in *£ s d*, e.g. 43·75 hours at 66·818*d* per hour=£12 3*s* 7*d*.

Electronic Document-sorter

AN electronic document-sorter for use in banks which reads characters printed with magnetic ink on bank cheques and other documents has recently been introduced by Burroughs Adding Machine Ltd.

Able to sort documents up to a speed of 1,500 a minute the machine is so designed as to fit in with existing computer systems and its flexibility will permit banks to use it for savings accounts as well as for other operations which require a high degree of sorting. Two outstanding features of the machine are its ability to process mixed cheques and documents of various sizes and its high degree of tolerance for dealing with documents which have become worn.

Electronic Reader for Department Stores

A NEW electronic reader – the Sweda E-3 – has been developed by the electronic department of the Sweda Cash Register factory of Sweden. It is devised to read printed characters on audit strips from cash registers and is intended for use as a link in an automatic data processing system.

The audit strip, with coded characters, is printed in an ordinary Sweda cash register. On removal from the machine, the strip is dispatched to a centre where the electronic reader records the information printed on it. This consists, for instance, of data for statistics, the turnover of different departments or categories of merchandise, the store assistant's personal turnover for calculating his or her commission, and refunds or discounts to customers.

When the audit strip arrives at the centre, it is passed through the reader and the printed characters are projected on to photocells, the impulses of which are linked to an electronic computer or memory. The reader stops automatically if the character has been badly printed. This new product is an interesting approach to the solution of many problems in department and chain stores.

Course on Computers

A COURSE, in two parts, on electronic computing systems is to be held at the Sir John Cass College, Jewry Street, Aldgate, London, EC3, commencing on Wednesday, October 7th.

The course is intended for executives and others interested in the commercial applications of electronic computers and no prior technical knowledge will be assumed. Part 1 of the course will consist of nine lectures on 'The construction and operation of electronic digital computing systems designed for commercial purposes', by Mr R. G. Mills, M.A. (CANTAB.), M.SC.(LOND.), and will give an appreciation of the operation and programming of computers in general. The second part of the course, which will commence on Wednesday, January 13th, 1960, will consist of about eight to ten lectures on a 'Review of the commercial applications of electronic digital computing systems', by Mr A. J. Burton, A.C.A., A.C.I.S. Both courses should be useful for those who need to estimate the value of a particular type of computer in connection with a particular commercial operation.

The fee for each course for those residing in the Administrative County of London is £1. Applications for enrolment forms should be made to the Secretary, Sir John Cass College, Jewry Street, Aldgate, London, EC3, prior to the opening date of the course.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(7 & 8 Eliz. 2)

Chapter 28: Income Tax (Repayment of Post-war Credits) Act, 1959

An Act to make further provision for the repayment of post-war credits (including credits to building societies), and to provide for the payment of interest thereon.

Price 6d net. *April 30th, 1959.*

Chapter 29: Colonial Development and Welfare (Amendment) Act, 1959

An Act to make further provision with respect to the development and welfare of colonies and other territories.

Price 6d net. *April 30th, 1959.*

Chapter 30: National Assistance (Amendment) Act, 1959

An Act to amend Sections twenty-four and twenty-nine of the National Assistance Act, 1948.

Price 3d net. *April 30th, 1959.*

Chapter 31: Agricultural Improvement Grants Act, 1959

An Act to empower the Minister of Agriculture, Fisheries and Food and the Secretary of State to make provision by regulations as to the payment of improvement grants under the Hill Farming and Livestock Rearing Acts, 1946 to 1956, and as to the payment of grants and contributions under certain other enactments; and for purposes connected therewith.

Price 4d net. *April 30th, 1959.*

Chapter 32: Eisteddfod Act, 1959

An Act to make further provision for contributions by local authorities in Wales (including Monmouthshire) towards the expenses of the Royal National Eisteddfod.

Price 3d net. *April 30th, 1959.*

Chapter 33: House Purchase and Housing Act, 1959

An Act to authorize Exchequer advances to, and the deposit of trust funds with, designated building societies; to enlarge the power of local authorities to make advances under the Small Dwellings Acquisition Acts, 1899 to 1923, the Small Dwellings Acquisition (Scotland) Acts, 1899 to 1923, Section forty-three of the Housing (Financial Provisions) Act, 1958, and Section seventy-five of the Housing (Scotland) Act, 1950; to make further provision for grants by local authorities and Exchequer contributions to local authorities towards the improvement of dwellings; to amend the provisions of the said Act of 1958 and the said Act of 1950, with respect to Exchequer contributions and grants by local authorities towards the provision of dwellings by the conversion of houses and other buildings and towards the improvement of dwellings, and with respect to the conditions to be observed where assistance has been given under Part II of the said Act of 1958 or Part VII of the said Act of 1950; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *May 14th, 1959.*

Chapter 34: Housing (Underground Rooms) Act, 1959

An Act to make provision as to the circumstances in which underground rooms are to be deemed for the purposes of Section eighteen of the Housing Act, 1957, to be unfit for human habitation.

Price 3d net. *May 14th, 1959.*

Chapter 35: Small Lotteries and Gaming Act, 1956 (Amendment) Act, 1959

An Act to amend the law with respect to the holding of small lotteries on licensed premises.

Price 3d net. *May 14th, 1959.*

Chapter 36: Rating and Valuation Act, 1959

An Act to postpone the coming into force of new valuation lists under Part III of the Local Government Act, 1948, and to restrict proposals for altering the current lists; to postpone the date as from which relief under Section eight of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, can be terminated or reduced; and for purposes connected with the matters aforesaid.

Price 4d net. *May 14th, 1959.*

Chapter 37: Restriction of Offensive Weapons Act, 1959

An Act to amend the law in relation to the making and disposing and importation of flick knives and other dangerous weapons.

Price 3d net. *May 14th, 1959.*

Chapter 38: Police Federation Act, 1959

An Act to amend the provisions of the Schedule to the Police Act, 1919, with respect to the dates of elections of Branch Boards and of annual meetings of Branch Boards and Central Conferences of the Police Federation.
Price 3d net. *May 14th, 1959.*

STATUTORY INSTRUMENTS

The Legal Aid (General) Amendment (No. 3) Regulations, 1959 (S.I. 1959 No. 1060)

The Regulations make provision for the remuneration of counsel in cases conducted by solicitors under the provisions of Section 6 (7) of the Legal Aid and Advice Act, 1949. Counsel will receive 75 per cent of the fee allowed on taxation instead of, as hitherto, a prescribed fee which could be varied by order made by the Lord Chancellor.
Price 2d net. *July 1st, 1959.*

The Exchange of Securities (No. 2) Rules, 1959 (S.I. 1959 No. 1396)

These Rules prescribe the procedure with respect to the acceptance of the offer to exchange 3 per cent War Loan, 1955–1959, into 4½ per cent Conversion Stock, 1964, and 5 per cent Treasury Stock, 1986–1989.
Price 4d net. *August 7th, 1959.*

The Foreign Compensation (Egypt) (Interim Distribution) Order, 1959 (S.I. 1959 No. 1291)

This Order provides for interim payments to be made by the Foreign Compensation Commission with respect to claims established under the Foreign Compensation (Egypt) (Determination and Registration of Claims) Order, 1959.
Price 3d net. *July 30th, 1959.*

The Town and Country Planning (Limit of Annual Value) Order, 1959 (S.I. 1959 No. 1318)

This Order, made under Section 43 (5) of the Town and Country Planning Act, 1959, prescribes the limit of annual value of hereditaments for the purposes of Section 39 (which relates to the obligation of authorities to purchase interests of owner-occupiers affected by planning proposals).
Price 2d net. *August 16th, 1959.*

The Cotton (Doubling) Reorganization Scheme (Confirmation) Order, 1959 (S.I. 1959 No. 1324)

The Cotton Spinning Reorganization Scheme (Confirmation) Order, 1959 (S.I. 1959 No. 1325)

The Cotton Weaving Reorganization Scheme (Confirmation) Order, 1959 (S.I. 1959 No. 1326)

These Orders confirm the reorganization schemes prepared by the Cotton Board to secure the elimination of excess capacity in the cotton industry. The Orders also provide for the recovery by the Cotton Board of certain charges imposed under the schemes, for returns, information, books and other documents to be produced to the Board by persons carrying on business in the industry, and impose penalties for failure to do so or for giving false information.
Price 6d each net. *July 30th, 1959.*

Notes and Notices

PERSONAL

MESSRS TURQUAND, YOUNGS & CO announce that their Bristol offices have been removed from Electricity House, Bristol, 1, to the offices of their associated firm, TURQUAND YOUNGS & WARE WARD, 7 Unity Street, College Green, Bristol, 1. Telephone: Bristol 25417.

MESSRS E. C. BARBER & CO, Chartered Accountants, of Ibex House, Minories, London, EC3, announce with much regret the death of Mr E. P. KACHEL, F.C.A., which occurred on August 24th. Mr KACHEL had been a partner in the firm for six years.

MESSRS WALTER & W. B. GALBRAITH, Chartered Accountants, of 87 St Vincent Street, Glasgow, C2, and MESSRS ROBERT T. DUNLOP & CO, Chartered Accountants, also of 87 St Vincent Street, Glasgow, C2, announce that their practices have been amalgamated as from September 1st, 1959. The partners in the new firm are THE RT. HON. LORD STRATHCLYDE, MESSRS W. J. MURRAY GALBRAITH, T. D. G. MUNRO, J. CECIL GIBB, L. E. LUSCOMBE and MISS M. R. BRYCE. The practice will be carried on under the name of GALBRAITH, DUNLOP & CO, at 87 St Vincent Street, Glasgow, C2.

MESSRS SHELVOKE, PICKERING, JANNEY & CO, Chartered Accountants, of 23 Church Street, Cannock, Staffordshire, announce that they have admitted into partnership Mr JOHN RAFFERTY, A.C.A. The firm name will remain unchanged.

MESSRS CLARK, BATTAMS & CO, Chartered Accountants, of 32 Victoria Street, London, SW1, announce the admission into partnership as from September 1st, 1959, of Mr J. W. R. LINDSEY, A.C.A., and Mr D. R. HUNTINGFORD, A.C.A., both of whom have been associated with the firm for some years.

MESSRS JARVIS BARBER & SONS, Chartered Accountants, of 17 North Church Street, Sheffield, 1, announce that they have taken over the practice of MESSRS KEER, GARSIDE & CO, Chartered Accountants, of 55 Norfolk Street, Sheffield, and that their partners have become partners in MESSRS KEER, GARSIDE & CO, who will, for the time being, continue to practise at their present address.

MESSRS SPRAGUE, NICHOLSON, MORGAN & CO, Chartered Accountants, of Chancery House, Chancery Lane, London, WC2, announce that owing to failing health their senior partner, Mr H. D. SPRAGUE, M.A.,

C.A., who has been a member of the firm for over fifty-five years, has retired as from July 1st, 1959. The practice will be carried on by the remaining partners under the same style as hitherto.

MESSRS BEEVER & STRUTHERS, Chartered Accountants, of 1 Cooper Street, Manchester, 2, announce that as from September 1st, 1959, Mr ARTHUR JAMES BURDEN, A.C.A., has been taken into partnership. The style of the firm will remain unchanged.

PROFESSIONAL NOTES

Mr R. Malcolm Kennard, A.C.A., A.C.W.A., has been appointed secretary of the Machinery Publishing Co Ltd, on the retirement of Mr Charles Paterson, C.A.

Mr A. K. Sen, B.SC.(ECON.), A.C.A., secretary of The Oxygen & Acetylene Co Ltd, has been appointed managing director of the company.

Mr A. W. Giles, M.B.E., M.A., C.A., has been appointed a director and managing director of Baring Brothers & Co Ltd.

Sir Halford Reddish, F.C.A., has been elected a director in a consultative capacity of Alfred Herbert Ltd.

Mr J. C. Richardson, C.A., has been appointed a di ector of C. R. Casson Ltd.

Mr Reginald Cook, B.A.(ADMIN.), A.S.A.A., A.I.M.T.A., has been appointed chief accountant of the Midlands Electricity Board.

Mr C. Gordon Lambert, B.A., B.COM., A.C.A., chief accountant of W. & R. Jacob & Co Ltd, has been appointed a director of the company.

Mr John J. Lawler, J.P., F.C.A., has been appointed managing director of Kirby's Ltd and its subsidiary companies.

Mr J. T. Davidson, A.C.A., has been appointed joint managing director of Samson Clarke & Co Ltd.

Mr V. R. Stammers, A.C.A., has been appointed a director of G. Clancey Ltd.

Mr A. N. Todd, A.C.A., has been reappointed by the Minister of Power as deputy chairman of the London Electricity Board.

Mr F. W. Harper, A.C.A., has been appointed a director of Lankat Rubber Co Ltd.

Mr A. P. Rivers, F.S.A.A., has been appointed chairman of Hovis Ltd.

Mr George S. Campbell, A.C.A., has been appointed a director of Mills & Rockleys Ltd.

Mr James A. Kennedy, A.A.C.C.A., deputy city treasurer of Belfast, has been appointed city treasurer as from the beginning of October.

OFFICE MANAGEMENT ASSOCIATION

Dr J. M. S. Risk, B.COM., PH.D., F.C.I.S., A.C.A., F.C.W.A., who has been a member of the Office Management Association since 1940, has been appointed the Association's honorary treasurer in succession to Mr H. T. Sharpe.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Sherry Party

The President and members of the committee of the Manchester Society of Chartered Accountants will hold a sherry party on September 22nd, from 6 p.m. to 7 p.m., at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. An invitation has been extended to those in the Manchester area who have recently passed their Final examination, and it is hoped that there will be a good attendance as it is felt that an informal meeting of this nature will not only help members to become better acquainted but will also provide an opportunity for potential members to learn something of the objects of the Society. The cost to members of the Society will be 10s per head and applications for tickets should reach the Assistant Secretary not later than September 15th.

Luncheon Meetings

A series of four luncheon meetings will commence this month. The opening meeting will take place on September 14th and the remaining meetings, at which there will be guest speakers, are as follows:

October 12th: 'Behind the television camera', by Mr R. H. Hammans (Director of Engineering, Granada T.V. Network Ltd).

November 9th: 'The work of the Post Office with particular reference to the accounting side', by Mr J. E. Morris (Regional Finance Officer, North West Region, G.P.O.).

December 14th: 'Modern pension scheme practice', by Mr P. S. Lambert, F.C.I.B., A.C.I.I. (Thouard & Lambert (Insurances) Ltd).

The meetings will be held in the boardroom at 46 Fountain Street at 12.45 p.m. and admission will be by ticket only. Tickets can be purchased from the Assistant Secretary up to 10 a.m. on the Friday preceding each meeting.

Evening Meetings

A number of evening meetings have been arranged for the 1959–60 session and will be held at the Chartered Accountants' Hall at 6 p.m. as follows:

October 9th: 'Surtax directions', by Mr G. S. A. Wheatcroft, M.A. (Professor of Law at London University; Editor, *British Tax Review*).

November 19th: Annual dinner at *The Midland Hotel*.

December 7th: 'Helping management to help itself', by Mr C. Bostock, M.A., F.C.A.

February 15th: 'Business investment', by Mr E. H. Davison, A.C.A.

March 21st: 'When is a consultant necessary and why?' by Mr H. Young, B.SC., A.C.W.A. (The Tempered Spring Co Ltd, Sheffield).

Discussion Groups

It has been suggested that a discussion group or groups might be formed and in order to ascertain the probable support, members who are interested are requested to inform the Assistant Secretary as early as possible.

OXFORD CHARTERED ACCOUNTANTS' GROUP

The 1959–60 session of the Oxford Chartered Accountants' Group commences on September 29th with the annual dinner at University College, Oxford.

Other meetings so far arranged are as follows:

November 3rd:	Taxation. A panel of tax Inspectors will reply to members' questions.
December 1st:	'Pensions and pension funds', by Mr T. A. Hamilton Baynes, M.A., F.C.A.
1960 January 5th:	Brains Trust. A panel consisting of Messrs G. F. Ansell, F.C.A., F. Clive de Paula, T.D., F.C.A., F.C.W.A., and E. Kenneth Wright, F.C.A., will reply to questions put by members.

ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

The results of the annual meeting of the Association of Scottish Chartered Accountants in London Golf Club, held at Addington, are as follows:

Past Presidents Challenge Cup:

Winner:	D. A. B. Cunningham	76– 6=70
Runner-up:	Ian M. Whyte	81– 7=74
Other Scores:	R. Darby	91–16=75
	R. J. Jamieson	81– 5=76
	H. C. Maclellan	84– 8=76
	N. S. Matheson	96–16=80
	M. C. Gorman	94–14=80
Best Nine Holes Home:	R. J. Jamieson	37–2½=34½

J. Ivan Spens Cup (played for by handicaps of 12 or over):

Winner:	R. Darby	91–16=75
Runner-up (tie):	N. S. Matheson	96–16=80
	M. C. Gorman	94–14=80

(Mr Matheson won, having the better score over the last nine holes.)

Best Gross Score:

D. A. B. Cunningham .. 76

Lady Mann Challenge Cup (won by the best net aggregate by two players from any office):

Winners: Messrs Brown, Fleming & Murray with a net score by Messrs H. C. Maclellan and R. Hyem of 147.

Bogey Challenge Cup:

Winner:	D. W. Ness	1 up
Runner-up (tie):	N. McAndrew	2 down
	D. L. Skinner	2 down

(Mr McAndrew won, having the better score over the last nine holes.)

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

In a match at West Lancashire Golf Club on August 27th, the senior society beat the students' association by two matches to one with two matches halved.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

A members' dinner is to be held by The Institute of Cost and Works Accountants at Quaglino's Restaurant, Bury Street, London, on Tuesday, October 20th next. The President of the Institute, Mr Edward Emmerson, A.C.A., F.C.W.A., will receive the guests between 7.30 p.m. and 8 p.m., and the dinner will commence at 8.15 p.m. Tickets will be two guineas each and members and registered students wishing to attend should write to the Secretary of the Institute at 63 Portland Place, London, W1.

F.B.I. TAX BOOKLET

A useful, sixty-five page booklet entitled *Unilateral Relief of Double Taxation* was published on Monday by the Federation of British Industries. The booklet brings together in one work the different practices and laws of the member countries of the Council of European Industrial Federations in their approach to the unilateral relief of double taxation. The countries consist of Austria, Belgium, Denmark, Finland, France, The Federal Republic of Germany, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

Copies of the booklet are available at 10s post free (excluding airmail) from F.B.I. Print and Publications, 21 Tothill Street, London, SW1.

THE ROYAL SOCIETY OF ARTS

Membership for Companies

The Royal Society of Arts has decided to admit limited liability companies into association with it. This is the first time since the Society's foundation in 1754 that trading concerns have had the opportunity to be directly connected with the Society and it is hoped by this means to establish a closer link between industry and commerce on the one hand and the work of the Society on the other.

The Society's full title is 'The Royal Society for the encouragement of arts, manufactures and commerce', and its fields of activity are broad. For example, the Society was the originator of commercial and technological examinations and its examinations, instituted in 1856, are held under local educational authorities at about eight hundred centres in all parts of the United Kingdom, and at a number of centres in the Commonwealth and colonies.

Under the new scheme, limited liability companies or other trading bodies may join the Society as 'companies in association' and enjoy numerous benefits, including the right to appoint two official representatives – each of whom may attend lectures of the Society and use the Society library and reading-rooms. There will be a minimum annual subscription of twenty guineas under the scheme.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday next, September 7th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Hebrews, Chapter 13, verses 20 and 21 (The prayer and benediction to the Hebrew Christians).

OPERATIONAL RESEARCH CONFERENCE

'Operational research at work' will be the subject of a one-day conference, organized jointly by The British Institute of Management and The Operational Research Society, to be held at The Connaught Rooms, Great Queen Street, London, WC2, on Thursday, September 17th. The object of the conference is to assist management in assessing the extent to which the techniques of operational research are applicable within industry. The speakers, all with an extensive first-hand knowledge of the subject, will be:

Miss M. S. Munn (Secretary, Computer Panel, I.C.I. Ltd), on 'The study of stock control problems'; Mr R. H. Collcutt (Head of Department of Operational Research, British Iron and Steel Research Association), on 'Applying operational research in the steel industry'; Mr H. R. W. Watkins (Head of Operational Research Group, Shell-Mex & B.P. Ltd); on 'The operational research study of transport and distribution'; Dr K. Pennycuick (director, K. Pennycuick Ltd), on 'Long-range policy planning'; and Mr B. H. P. Rivett (Head of Field Investigation Group, National Coal Board, and Hon. Secretary of The Operational Research Society), on 'Operational research – where now?'

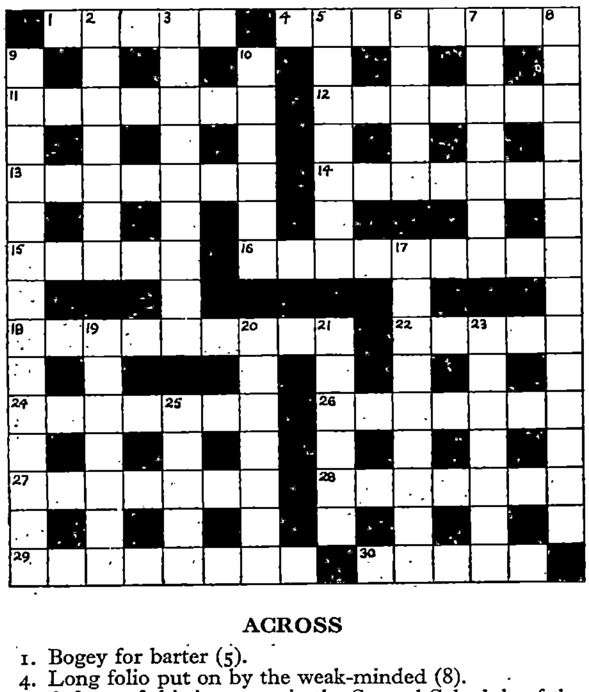
Further information relating to the conference may be obtained from The British Institute of Management, Management House, 80 Fetter Lane, London, EC4.

THE INSTITUTE OF INTERNAL AUDITORS

A meeting of the Birmingham Chapter of The Institute of Internal Auditors to meet Mr Bradford Cadmus, the Institute's managing director, will be held at *The Golden Eagle Hotel*, Hill Street, Birmingham, at 6.30 p.m. on September 14th. Tea will be available from 6 p.m. and interested non-members will be welcome. The secretary of the branch is Mr G. T. L. Judson, Chief Internal Auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

ACCOUNTANTS' CROSSWORD

Compiled by Kenneth Trickett, A.C.A.



ACROSS

1. Bogey for barter (5).
4. Long folio put on by the weak-minded (8).
11. A form of this is set out in the Second Schedule of the Companies Act, 1948 (7).
12. A statement included in a prospectus shall be deemed to be untrue if it is misleading in the form and——— in which it is included (Section 46, Companies Act, 1948) (7).
13. Producing as clear profit in the fishing industry? (7).
14. Sitting of Court sounds like giving way (7).
15. Last portion of coupon sheet (5).
16. Examine the boxes; they may settle similar questions in the future (4, 5).
18. Epithet for amount of the dividends paid and proposed (Eighth Schedule, Companies Act, 1948) (9).
22. Sixteen annas (5).
24. Statistical dispersion (7).
26. Lined for protection (7).
27. Inscribed (7).
28. Position in life, not as it is arranged (7).
29. Examined in detail – by officer appointed under Section 13, Income Tax Act, 1952? (8).
30. Currency mostly found in Belgium, of course (5).

DOWN

2. Part of a deed performed publicly? (7).
3. Sort of committee, gone since reconstituted (9).
5. Overheads comprising no return outlays (7).
6. Every person having the use of any ——— or tenements shall be deemed to be the occupier thereof (Section 105, Income Tax Act, 1952) (5).
7. Directs wrongly, but makes a right entry (7).
8. Looks like obvious disbursement: beware of infringement! (7, 7).
9. Empty conveyances? (5, 9).
10. Statistical frequency (6).
17. A body ——— shall not be qualified for appointment as liquidator (Section 335, Companies Act, 1948) (9).
19. Giver of bill of sale (7).
20. Abstract (7).
21. Make notes of, so to speak (6).
23. Post Office exploit book entry (7).
25. How many days of grace? There is more than one (5).

The solution will be published in next week's issue.

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CONTENTS

A Right Upheld

A QUIET but effective blow for the right freely to express expert opinion was struck on the other side of the Atlantic recently when the United States Court of Appeals upheld the authority of The American Institute of Certified Public Accountants to issue statements on accounting principles. The action arose when three public utility companies obtained an injunction restraining the Institute from issuing a letter interpreting the phrase, 'a deferred tax account', used in Accounting Research Bulletin No. 44 (revised) entitled 'Declining-balance Depreciation'. The substance of the matter was in one paragraph:

> 'The committee used the phrase in its ordinary connotation of an account to be shown in the balance sheet as a liability or a deferred credit. A provision in recognition of the deferral of income taxes, being required for the proper determination of net income, should not at the same time result in a credit to earned surplus or to any other account included in the stockholders' equity section of the balance sheet.'

The plaintiffs contended that the removal from the equity section of their balance sheets of items described as 'earned surplus restricted for future Federal income taxes' would interfere with their short-term borrowing power and with other financial activities. The prestige (they said) of the Institute was such that this edict would be responsible for many accountants, business men and financial and banking concerns, among others, questioning the inclusion in future of credits for deferred taxes in earned surplus statements. After a vacillating series of Court rulings, the injunction now appears finally to have been set aside.

There are two observations which might be made on this action. One is that it is pleasing to note that the American Institute's attitude towards sums set aside for future taxation accords broadly with the treatment suggested in the English Institute's Recommendation No. 19. The second observation is that, as a result of the Court of Appeals' decision, the new Accounting Principles Board of the American Institute can now go ahead with its project of 'formulating basic accounting postulates and statements on accounting principles'. It is certain that many outside America – and, for that matter, within America – will not agree with all the postulates and principles which may be enunciated, but no disinterested person, whatever his calling, will deny the Board the right to publish them. With such a right invariably goes the responsibility that the views expressed must be informed and objective and these are perhaps the two outstanding characteristics of the pronouncements of the American Institute in the past.

Random Reflections on Radcliffe

by A. R. ILERSIC, M.Sc.(Econ.), B.Com.

'IT was apparent to us that a review of the working of the monetary system would be of no value unless it took account of the economic circumstances and the climate of opinion in which the system works.' In this one sentence is summarized the whole strength and weakness of the Radcliffe Committee's report on the working of the monetary system. The report is unanimous on a subject upon which the views of capital and labour are diametrically opposed, and in the course of achieving that unanimity it has interpreted its terms of reference 'to inquire into the working of the monetary and credit system and to make recommendations' as narrowly as the subject permits. In so doing it has produced an authoritative account of the workings of the money and capital markets; authoritative in the sense that it has had access to official information and unpublished data which have confirmed what has, in the main, already appeared elsewhere.

The committee is to be congratulated on its insistence on the need for proper information in monetary issues without which intelligent discussion is difficult and pertinent criticism of official policy impossible.

Chequered History

Before examining particular aspects of the report, it is relevant to recall the chequered history of the Government's employment of Bank rate and the credit squeeze between November 1951, when Mr Butler revived Bank rate as a method of control, and April 1957 when Mr Thorneycroft appointed the Radcliffe Committee.

It was apparent, not least to the critics of monetary policy, that during this period the credit squeeze had achieved rather mixed results. After the initial stability in prices during 1952–53, which was claimed by some as the product of the Government's new policy and by others as the result of the European recession and lower import prices, the inflation intermittently resumed its merry course until shortly before Suez. The outcome of Suez was a *crise de confiance* in sterling.

Before September 1957, when Bank rate was raised to 7 per cent, the hitherto half-hearted and tentative deployment of higher interest rates and credit restriction had achieved little success in stemming the upward drift of prices. The intensification of the credit squeeze, hire-purchase restrictions and capital expenditure cuts coupled with a 7 per cent Bank rate produced results. The outflow from the reserves was reversed – it is noteworthy how reluctantly the committee admits that the 7 per cent Bank rate exerted some psychological effects – and with the shift in the terms of trade the reserves began to rise while the fall in import prices led to a degree of internal price stability. On the other hand, the modest trade recession which had been apparent before Suez was intensified – not least by the cuts in capital outlays in both the private and public sectors – and the percentage of unemployment doubled within a period of months. The critics of monetary policy attacked the deflationary effects of the credit squeeze, more especially the increase in unemployment and the absence of any growth in the national product for about three years. Since, from the outset, opinion had been divided as to the effectiveness of the traditional monetary weapons, it was evident that a clear case had been made out for an expert inquiry.

The Radcliffe Committee's examination of the events of the period since 1951 consists of a useful, if sketchy, chronological summary of the main events, followed by two lengthy sections discussing first, the actual monetary weapons used and second, an assessment of their effects. A detailed judgment of this analysis must await the publication of the evidence, not least that given by the Bank and Treasury witnesses. The committee considers the evidence given by these bodies and others on the effects of the sharp increase in Bank rate. It notes, one is tempted to say, almost disbelievingly, the emphasis placed by these witnesses upon the 'confidence effect' of such a move. Yet surely this is the major effect of such an increase in Bank rate. This 'psychological' interpretation of the events of September 1957 is particularly relevant since the action taken was such that it succeeded in conveying the impression both at home and abroad that for the first time since 1945 a Government was actually prepared to defend sterling at the expense of some increase in unemployment and a reduction of its electoral support.

The committee concedes that it has the advantage of hindsight when criticizing the authorities for prolonging its deflationary policy during 1958–59, but it might have emphasized their extremely difficult position, confronted as they were with the ever-present possibility of a renewed loss of confidence in sterling and the depleted reserves. The difference between Mr Thorneycroft and his predecessors was that before 1957, as soon as the credit squeeze began to pinch, it was relaxed; by 1958 the time had come to demonstrate conclusively that the Government had a policy (good or bad doesn't matter) and was determined to enforce it. More to the point, the comments of the committee on the Government's tardy action imply that the Government is served by its economists and statisticians with reliable short-term forecasts of what are believed to be economically significant variables. Even the committee has been forthright on this point – probably the only issue in the entire inquiry upon which the committee was completely unanimous – in emphasizing the need for adequate statistical data and information on monetary policy.

The Bank's Public Relations

It was inevitable that the Radcliffe report's comments on the Bank of England should have attracted the greatest publicity. To put it no more strongly, the Bank has never wasted time on 'public relations' either in answering the questions put by its academic critics or in countering the left-wing criticisms which were bound to find root somewhere in the public mind which is notoriously ill-informed upon financial matters. The committee's recommendations on the Bank are a matter of opinion; one can at best argue that a *de facto* situation is to be legalized, or at worst believe that the Bank has on occasions displayed too much independence of thought upon the Government's financial policy. What the critic must remember – and this applies to the entire report – is that monetary policy is now a matter of politics. It is for the Government to decide upon a policy and to choose between the different methods of implementing it, i.e. fiscal policy, monetary policy, directives and controls or what the report refers to as a 'package deal'. In view of the extensive public 'suspicion' of the Bank, it is perhaps as well that policy decisions should be taken from the Bank in letter as well as in fact. One might be a little happier about all this if it were possible to believe that we may one day see the Chancellor and Governor publicly arguing the respective merits of their policies as has happened in Western Germany and the United States since the end of the war.

Central Theme

The central and most important theme of the report is the committee's analysis of the *modus operandi* of interest rate changes. The discussion of the authorities' control of the bill market is clear, but it is not well linked up with the fuller discussion of the manipulation of the bond market. The unwary reader might at times be forgiven if, when reading some of these sections, he concludes that the short- and long-term markets are separate and distinct bodies. The committee recognizes that in the bond market the Bank 'is not a dictator but a market operator' and concedes that 'it cannot choose both a rate of interest and the quantity of debt to hold'.

On the first observation, it seems to at least one reader of the report that the most glaring omission – and all the more so in view of the importance which the committee attaches to debt management – is the absence of information and comment on the Dalton episode 1945–47, or the lessons to be learned from the experience of the United States before the Federal Reserve-Treasury 'accord' of 1951. Here again one must await the published evidence, but reading between the lines one senses that the committee was impatient with the Bank's views on debt management. Perhaps the experience of 1945–47 and the United States experiment in debt management has left the Bank with a less inflated sense of its own powers than the committee feels justified in attributing to it. For example, the report almost certainly attaches too much significance to the slight success of the authorities' policy since 1957 in a rising gilt-edged market in holding the yield on bonds. There is a difference between that situation and one in which 'monetization of debt' is an ever-present danger because the authorities are trying to enforce a structure of interest rates which is contrary to public expectations. The committee's comments on market expectations suggest an inadequate appreciation of the role of such assessments in determining the market yield structure. When the committee so dogmatically rejects the 'supply of money' as a major factor it might be asked whether the additional £800 million of bank deposits generated by Dr Dalton's 'cheap' money policy during 1945–47 was unimportant. The nearest the committee ever get to this point is in the

statement, made without comment, that in seeking to ensure stability of interest rates, the authorities must abdicate their control of the supply of money!

Some of the committee's statements are, to put it no more strongly, a little surprising. 'As the most accessible lender the banks are peculiarly important in the total liquidity position and the monetary authority in a tight corner may well decide to strike directly at the banks. It is, however, at the bank advances that they should strike.' Such a proposition runs counter to all the lessons of the past decade. The authorities have been telling, directing and striking (for example, the 1951 compulsory funding of Treasury bills) at the banks for years and for just as long their critics have been explaining that such a policy is inconsistent with the Government's policy of borrowing on floating debt so that the banks' liquidity ratio is raised to almost 40 per cent. Admittedly in such conditions it is difficult to reduce the banks' liquidity ratio so that advances can only be made at the risk of freezing their funds; but on this point the committee's virtual indifference to the dominant role of Government expenditure is unfortunate. Equally it might have gone into the financial implications of its rather surprising recommendation that the Treasury should raise the capital needs of the local authorities and nationalized industries. The least it could have done on this point would have been to explain why all the criticisms directed against this practice during recent years can now be ignored. One can only assume that this is one of the more obvious passages in the report in which the committee has had to pay the price for unanimity.

Monetary Policy Lessons

While the committee disclaims any intention of making a series of recommendations, it recognizes that what it has to say on particular issues is bound to have that effect. One can only hope that its strong plea for additional information will soon be answered.

No one has claimed that monetary policy in the traditional sense could solve the post-war inflation without engendering deflation and more unemployment than the electorate is prepared to accept. It is clear that of devaluation, rising prices and over 2 per cent unemployment, in the eyes of the electorate the last is the worst evil. What is not always recognized is that from 1945 to 1957, with occasional temporary exceptions, monetary policy and Government expenditure which dictated it, was running counter to all the other forms of restraint imposed upon the economy. It has taken a decade for the lessons of 'repressed' inflation to be fully recognized. What the Radcliffe Committee's recommendations on monetary policy boil down to is that in future monetary policy should be consistent with the rest of the Government's stabilization measures. Its deprecatory assessment of Bank rate is irrelevant since informed opinion has long recognized that a thorough-going deflation consistent with a high Bank rate would not merely reverse the upward drift of prices but lead to a change of Government!

Directives and Controls

Monetary policy within prescribed limits, i.e. control of liquidity and the Bank rate, is useful and, as the committee points out, should be a little more effective in the 1960s than in the post-war period if only because the debt position will be much easier. Whether anything else in the 1960s will be as the committee expects is debatable. For the rest we have the usual combination of fiscal and budgetary policy which, as the politicians at least have learned, constitutes a one-way weapon only, plus the usual directives and physical controls. The committee's all too apparent penchant for direction and control is presumably another aspect of the internal struggle to achieve unanimity. Admittedly these weapons are to be used only in crisis conditions but the committee's policy recommendations in other than crisis conditions do not suggest that we shall be able to dispense with them. On the subject of foreign exchange rates and the case for fixed or floating rates the committee has been noticeably reticent. It is to be regretted that it did not take the opportunity of expounding the implications of the revised figure of £450 million as a measure of the necessary surplus on the United Kingdom overseas account.

Quite apart from any disagreement with the views of the committee, one cannot help but feel some sympathy for it. As they point out 'the choice between them (economic objectives), where choice has to be made, is one that governments have to face. The freedom of governments in making these choices is not absolute' . . . 'governments have further to face the question of the relative weight to be placed on direct controls, fiscal measures and monetary measures'.

It is hardly surprising that the committee has found it rather difficult, given its membership, to make the Government's mind up for it as to which choice in these two matters, i.e. objectives and policy, it should prefer.

The Interpretation of Taxing Statutes

by BARRY PINSON, LL.B.,
Lecturer in Taxation Law, The Law Society's School of Law

THERE is no principle of natural law, nor even of common law, which requires that individuals should be taxed. Taxation is entirely the creature of statute law; and where the Revenue seeks to impose liability for tax, the onus rests on the Revenue to point to the statute and the section under which liability is said to exist.

> 'If the person sought to be taxed comes within the letter of the law he must be taxed, however great the hardship may appear to the judicial mind to be. On the other hand, if the Crown, seeking to recover the tax, cannot bring the subject within the letter of the law, the subject is free, however apparently within the spirit of the law the case might otherwise appear to be.' (Lord Cairns in *Partington v. Attorney-General* ((1869) L.R. 4, H.L. 100) at page 122).

It follows that in all revenue cases there may be some stage at which the taxpayer's professional advisers will have to address the Commissioners, or one or more judges, on the construction of a taxing statute – that is, on the meaning of the words used and their legal effect. Often there is room for more than one opinion on this matter, but in construing any statute there are established legal principles which must be carefully observed; and where these principles are disregarded the force of any argument, for example in an appeal against an assessment, will be greatly diminished.

What's in a Word?

It is the object of this article to consider these principles of construction by reference to decided cases, and with special reference to cases dealing with income tax. Any reader who suspects that matters of interpretation belong to the realm of 'lawyer's quibble' should reflect that, in revenue matters especially, the destination of the taxpayer's money often depends on the meaning of a single word. One of the most important tax cases of recent years, for example, turns on the meaning of the phrase 'the tax which he ought to be charged', which occurs in Section 25 (3) of the Income Tax Act, 1952. (*C.I.R. v. Hinchy*, 37 A.T.C. 357; [1959] 2 W.L.R. 32.)

It is first desirable to emphasize a basic principle of English constitutional law which sometimes is overlooked. Statutes are the instruments by which Parliament expresses its will and Parliament is a sovereign law-making body. This means that there is no law which Parliament cannot make or repeal. An Act expressed to apply to foreigners outside the jurisdiction would be lawful; so also is a Finance Act which has retrospective effect. No argument can therefore be heard by any Court to the effect that a statute is void as being 'unconstitutional' or *ultra vires* Parliament. It is true that retrospective legislation in taxation matters often provokes fierce criticism, usually on the ground that it offends against the 'rule of law', but such arguments must be addressed to political quarters; the Courts will pay no attention to them.

General Principles of Construction

> 'The fundamental rule of interpretation to which all others are subordinate, is that a statute is to be expounded according to the intent of them that made it.' (Maxwell on *The Interpretation of Statutes*.)

How, therefore, is the intention of Parliament to be ascertained? At an early stage in our law it was established that this intention must be discovered from the actual words used in the statute, taking the statute as a whole and the words in the context in which they appear. If, applying this principle, the meaning is found to be clear, two important consequences follow:

(1) The Court is bound to enforce the statute however undesirable or inconvenient the result may be. The Court cannot say: This could not possibly have been the intention of Parliament; we will disregard the letter of the law and endeavour to give effect to what was intended.

> 'Where the language of an act is clear and explicit, we must give effect to it whatever may be the consequences, for in that case the words of the statute speak the intention of the Legislature.' (Tindal, C.J., in *Warburton v. Loveland* ((1831) 2. D. & Cl. 480) at page 489.)

In the case of *In re Robb's Contract* ([1941] Ch. 463), where the point at issue was whether a certain document ought to bear an adjudication stamp, Clauson, L.J., had this to say:

> 'With much reluctance I find myself compelled, by the inexorable logic of the Master of the Rolls, to concur in the judgment which he has just delivered. I will not conceal the fact that I have

made the most strenuous efforts to see whether, consistently with the canons of construction by which this Court is bound, a different result could not be achieved because I am conscious of the great inconvenience which this decision probably will cause. If it were a question of two competing constructions of ambiguous words, one would, no doubt, be justifiably swayed in deciding in favour of one construction or the other by a consideration of the results which would follow and of what the Legislature was likely to have meant, but *where the words, as I am afraid they do in this case, can only lead to one result, such considerations as I have mentioned must be put aside.*'

(2) If the meaning of the words is clear, no reference can be made to the reports of Parliamentary debates in *Hansard*, or to the reports of Royal Commissions or other bodies, to show that Parliament must have intended something different and that, therefore, the draftsman was at fault in not expressing the intention of Parliament correctly. In one case, counsel sought to introduce into his argument certain recommendations from a report of a Royal Commission on Income Tax in 1920. He argued that, as the Finance Act, 1920, followed these recommendations, it should be presumed that the words of the section were intended to give effect to them and hence they could be used to show what was the intention of the Legislature in enacting the section. The argument was rejected:

> 'It is clear that the language of a Minister of the Crown in proposing in Parliament a measure which eventually becomes law is inadmissible and the report of Commissioners is even more removed from value as evidence of intention, because it does not follow that their recommendations were accepted.' (Lord Wright in *Assam Railways and Trading Co v. C.I.R.* (13 A.T.C. 373; 18 T.C. 509).

Some Aids to Interpretation

Often some clue as to the proper construction of a word or phrase can be found in the statute itself.

> 'It is beyond dispute', said Lord Herschell in *Colquhoun v. Brooks*, 'that we are entitled and indeed bound when construing the terms of any provision found in a statute to consider any other parts of the Act which throw light upon the intention of the Legislature and which may serve to show that the particular provision ought not to be construed as it would be if considered alone and apart from the rest of the Act.'

Some guidance may be found from the following:

(*a*) *The Preamble*

This is a statement of the purpose of the legislation which is sometimes inserted at the commencement of an Act of Parliament. In *Latilla v. C.I.R.* (20 A.T.C. 318; 25 T.C. 107), for example, reference was made to the preamble of the Finance Act, 1936 – the forerunner of what is now Section 412 of the Income Tax Act, 1952, dealing with transactions which result in the transfer of income to persons abroad. The purpose of this legislation was stated to be to prevent

> 'the avoiding by individuals ordinarily resident in the United Kingdom of liability to income tax by means of transfers of assets by virtue or in consequence whereof, either alone or in conjunction with associated operations, income becomes payable to persons resident or domiciled out of the United Kingdom'.

(*b*) *Interpretation sections.*

Many modern statutes contain one or more sections which define words 'for the purposes of the Act'. But such sections must be used with caution. In one case, Lush, J., said that

> 'an interpretation clause should be used for the purpose of interpreting words which are ambiguous or equivocal *and not so as to disturb the meaning of such as are plain*'. (*R. v. Pearce* ((1880) 5 Q.B.D. 386) at page 389.)

These last words clearly indicate that an interpretation section should not be resorted to at all if, without the aid of the section, the meaning is plain. It should be added that a great many definition sections are so drafted as to appear singularly unhelpful. Section 526 of the Income Tax Act, 1952, for example, states that the words defined are to have the meaning given 'except so far as is otherwise provided or the context otherwise requires'.

(*c*) *Dictionaries.*

It is a general rule of construction that words must be given their popular meaning, so the tendency to rush to the dictionary for guidance is a natural one. It should be noted, however, that some judges have taken the view that their opinion as to the meaning of a word is at least as reliable as a dictionary!

The Rule in *Colquhoun v. Brooks*

It might be supposed from what has so far been said that where the meaning of the words is clear, the Court can never give them a restrictive interpretation. There is, however, one case where the Court will and does do so.

> 'The Income Tax Acts are framed in very general terms. It is necessary so to frame Acts of this kind lest some case manifestly within the purpose of the Legislature may escape the tax. But Courts of law

> have cut down or even contradicted the language of the Legislature when on a full view of the Act, considering its scheme and its machinery and the manifest purpose of it, they have thought that a particular case or class of cases was not intended to fall within the taxing clause relied upon by the Crown.' (Earl Loreburn in *Drummond v. Collins* (6 T.C. 525; [1915] A.C. 1011 at page 1017.))

This principle is illustrated by the important case of *Colquhoun v. Brooks* (2 T.C. 490; (1889) 14 App. Cas. 493). The case was concerned with provisions of the Income Tax Act, 1842, which correspond with the present Section 122 of the 1952 Act. Section 122 provides that tax under Schedule D shall be charged in respect of

> '(*a*) the annual profits or gains arising or accruing . . . (ii) to any person residing in the United Kingdom from any trade . . . whether carried on in the United Kingdom or elsewhere . . .'.

The taxpayer was a merchant residing in England and carrying on business there. He was also partner in a business carried on in Melbourne, Australia, and had a large capital invested. £3,000 was remitted to England in respect of which he was duly assessed, but the Commissioners contended that he ought to be assessed not only on this £3,000 but also upon his entire share of the profits which accrued during the year of assessment (amounting to £9,219 in addition to the £3,000). The matter depended on the construction to be placed on the words referred to above.

Case I or Case V?

The Crown's case seemed simple and formidable; the taxpayer did reside in the United Kingdom, profits did arise or accrue to him from a business carried on elsewhere than in the United Kingdom, therefore the case was clearly within the terms of the Act and the taxpayer must be held liable to assessment. Counsel for the taxpayer argued that this must be absurd, for it would mean that a foreigner who resided in this country for a short time would be subject to taxation on the whole of his business earnings in his own country or elsewhere. On this point Lord Herschell said that

> 'if it can be shown that a particular interpretation of a taxing statute would operate unreasonably in the case of a foreigner sojourning in this country it would afford a reason for adopting some other interpretation if it were possible consistently with the ordinary canons of construction'.

In *Colquhoun v. Brooks* the House of Lords concluded, after a careful and detailed consideration of the scheme and machinery of the taxing statute, that Parliament must have intended that the case should fall under Case V of Schedule D and that, accordingly, profits not received in the United Kingdom were not assessable to tax. Thus were the plain words of the Act 'cut down or even contradicted'.

Conclusion

There are a few general matters which must be mentioned in conclusion. The Income Tax Act, 1952, is described as 'An Act to consolidate certain of the enactments relating to income tax . . .'; that is, it contains within its 532 sections and 25 schedules what previously had been contained in numerous statutes which it repealed.

First, it should be noted that there is a presumption that a consolidating statute was not intended to alter the law. Consolidation is merely a tidying-up process. Secondly, judicial decisions as to the interpretation of words in one of the repealed statutes can be cited in cases under the 1952 Act. This is because the repealed statutes are treated as *in pari materia* with – that is, they relate to the same subject-matter as – the consolidating statute. Even so, it must not be assumed that earlier decisions will always be followed. Usually it must be shown that, through judicial interpretation over a long period, the words have acquired a meaning which is generally recognized (*Galloway v. Galloway*, ([1955] A.C. 299) at page 320).

Often the task of interpretation is a formidable one. No accountant or lawyer confronted with Section 412 of the Income Tax Act, 1952, or with any of the sections dealing with settlements in Part XVIII can reasonably be expected to remain calm for long. The legislation dealing with estate duty presents an even more depressing picture, for here the law has to be searched for in over seventy separate statutes. Some comfort can, however, be found in the thought that even the greatest of judges occasionally despair in the throes of interpretation. Speaking of Section 46 of the Finance Act, 1940, which charges estate duty on the assets of a controlled company on the death of any person to whom benefits have accrued from the company within the five years preceding his death, Lord Simonds remarked that

> 'It involves the consideration of provisions which are, I think, of unrivalled complexity and difficulty, and couched in language so tortuous and obscure that I am tempted to reject them as meaningless.' (*St Aubyn Estates Ltd v. Attorney-General* (30 A.T.C. 193).)

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Weekly Notes

Charities and Rating Relief

THE Committee on the Rating of Charities and Kindred Bodies, set up in January 1958 by the Minister of Housing and Local Government under the chairmanship of Mr Justice Pritchard, has produced a most instructive report which is now published by H.M. Stationery Office as a Blue Book (Cmnd. 831; 5*s* net). Hitherto there has been no legislative provision for the exemption or relief from rating in favour of charities as such. Most charities got relief in practice through sympathetic under-valuations and this relief was temporarily preserved by an Act of 1955 when the new valuation lists came into force.

The Committee recommends that all bodies which are technically charitable should enjoy as of right relief from 50 per cent of rates, and that rating authorities should have discretion to increase the relief to such extent as they think fit. Rating authorities would also have discretion to relieve from rates such bodies as did not qualify technically as charitable but are on the fringe. These would be defined by reference to the existing Section 8 (1) of the 1955 Act, extended to include hereditaments occupied for the purposes of an organization whose main objects are philanthropic or benevolent, and also extends to permit relief to property used mainly or exclusively for indoor games or indoor athletic sports. Relief would still be confined to organizations not established or conducted for profit.

As a corollary to the above recommendations, the special statutory reliefs for literary and scientific societies and for voluntary schools, Sunday schools and 'ragged' schools would be withdrawn. Most of these bodies are in any case charities.

Progress under the Restrictive Trades Practices Act

FURTHER details have now been given by the Registrar of Restrictive Trading Agreements regarding progress under the Act up to August 7th, 1959. Comparing these with the last summary issued relating to January 1st, 1959, the number of registered agreements has risen from 2,020 to 2,200. The number of notifications of intention to take proceedings rose from 140 to 380, while the number of agreements abandoned or being abandoned rose from an estimated figure of 150 to 600.

At first sight these figures would suggest that no action has yet been taken in respect of 1,200 registered agreements, some 55 per cent of the total. Addressing the British Association at York, however, the Registrar said that there were 1,450 agreements on which no action had yet been taken (this figure includes cases where intention to take proceedings has been notified but the proceedings have not yet begun), but over 1,050 were closely connected with cases already started. A single judgment by the Court might affect as many as 100 of these agreements and could often settle a dozen more. Of the other 400 agreements, some 200 might qualify for removal as being of no substantial economic importance, while the remainder consisted of newly registered agreements of cases involving difficult problems of registration.

Critics of the way in which the Act is being administered have concentrated on the fact that there is to be no bar on individual resale price maintenance. This issue apart, there is little doubt that the Act has had an important effect in securing the abandonment of collective agreements, in many cases without the need for a warning from the Registrar that he intended to start proceedings. Of the total of 600 agreements abandoned, 250 were abandoned after receipt of such a warning and 350 without.

National Insurance Booklets

AS discussed in a leading article in our issue of August 22nd, the passing of the National Insurance Act, 1959, raises as a matter of some urgency the question whether employers should contract in or out of the State scheme for graduated pensions to employees with earnings in the range of £9 to £15 per week. Employees who are not contracted out will have to contribute from April 1st, 1961, 4½ per cent of their earnings in excess of £9 per week with a maximum excess of £6.

While employers who at present have no pension schemes for their employees, or whose schemes would need modification in order to satisfy the Government's conditions for contracting out, may be reluctant to take action before the General Election, many are likely to want to start investigating the relative merits of the two lines of action as soon as possible. Considerable help in doing so is available from two booklets published last week. The first of these is *National Insurance Act, 1959: Interrelation with Occupational Pension Schemes, a Financial Analysis*, published by the Life Offices Association and the Associated Scottish Life Offices, and the second *Graduated Pensions under the National Insurance Scheme*, published by the Metropolitan Pensions Association Ltd.

Broadly speaking, the State scheme is admitted to provide a good bargain for employees earning up to about £12 per week, but for staff earning over £13 per week there is a financial advantage in contracting out. The Metropolitan Pensions Association considers that since most male employees, whether works or staff, are likely for a considerable period of their working lives to earn more than £13 per week, employers might well decide to contract out all men regardless of earnings. The balance of advantage must, however, vary a good deal according to individual circumstances and many employers are likely to derive considerable help from the factual information and suggestions given in these booklets.

Free Trade Association

THE London Chamber of Commerce booklet, *The Seven*, mentioned in these columns last week, has been followed by *The European Free Trade Association*, by Miriam Camps, Occasional Paper No. 4, published by Political and Economic Planning. The author concludes that the draft plan for the F.T.A. is designed to make an accommodation with the six European Economic Community countries technically easy and yet at the same time to preserve the bargaining position of the seven on most of the points where differences of view emerged in the earlier negotiations. While the mere change of basis of the negotiations may help clear the atmosphere, the author sees little in the plan itself which is likely to alter the views of the critical country, France.

Finally, the booklet issues a warning for the longer-term future. The formation of the new group conditions to some extent the nature of the relationship which may eventually be established between this country and its principal allies in Europe. While neither the French nor the German Governments would appear at present to be interested in the kind of far-reaching relationship with the United Kingdom which might be made more difficult by the formation of the F.T.A., this situation may change and in retrospect the Stockholm decision may appear to have been another turning point in the development of British relations with Europe.

Industrial Production

THE latest index numbers of industrial production prepared by the Central Statistical Office show that the rise in output which started in March has been gaining momentum in each of the subsequent months and has already reached the level predicted for the end of the year. The revised seasonally adjusted index for June 1959 is put at 110 compared with 109 in May 1959 and 105 in June 1958. The provisional figure for July 1959 is 111–112 compared with 106 in July last year. The increase in July would have been slightly greater but for the stoppage of work in the printing industry.

There is, moreover, some evidence to show that the expansion is becoming more broadly based, though the pace is still being set by consumer durables with the motor industry well in the lead. Most branches of the textile industry, but particularly the woollen industry and synthetic fibres, have been experiencing increased demand and the last two or three months have seen a beginning of expansion in some of the capital goods industries. In most branches of engineering, orders are improving, though there is still a good deal of spare capacity available. Shipbuilding, on the other hand, is facing a number of difficulties.

There is, however, little sign as yet of a desire to build up stocks and apart from sheet steel for the motor industry, there has been little increase in the demand for steel. A satisfactory feature of the industrial revival is that total British exports in the first six months of 1959 were above those for the first half of 1958 in spite of a fall of 3 per cent in the first quarter of the year. At £878 million, exports in the second quarter of 1959 were nearly 10 per cent above those for the corresponding period last year.

Anglo-Soviet Trade

QUOTAS have now been announced for consumer goods to be exchanged between the United Kingdom and the Soviet Union in the year ending June 30th, 1960. They are the result of negotiations arising out of the Anglo-Soviet Five Year Trade Agreement which was signed in Moscow in May of this year by the President of the Board of Trade and the Soviet Minister of Foreign Trade. The quotas are designed to secure an increase in the exchange of consumer goods between the two countries amounting to £2 million each way. Since the trade in consumer goods between the two countries in 1958 amounted to about £1·4 million, the quotas, if fulfilled, will increase the trade some two and a half times.

Among the quotas for United Kingdom goods to be exported to the U.S.S.R., the most important are woollen piece goods (£700,000), white fish (£550,000), leather footwear (£470,000), woollen knitwear (£270,000), motor vehicles (£260,000) and herrings (£250,000). The most important items to be exported from the U.S.S.R. are canned crabmeat (£1 million), canned salmon (£500,000), medicines, drugs and pharmaceuticals (£320,000), vodka (£300,000), and hand-made carpets (£200,000). The Russians appear reluctant to part with caviare, for which the quota amounts to £85,000.

Work for Wales

BETTER roads are seen as the most important single means of strengthening the Welsh economy in *Work for Wales*, the latest Bow Group pamphlet, published by the Conservative Political Centre. The primary object is to bring Wales closer to the markets, suppliers and exporters of the Midlands and other parts of England. The main priorities are given as first-class trunk roads from the Midlands to the South Wales ports; by-passes for Newport, Port Talbot and Cardiff; and major improvements of the North and South Wales coast roads; and ultimately the Queensferry and Severn bridges.

Considerable diversification of industry is likely to be required over the next ten years. Owing to concentration of the coal industry into the most efficient collieries, some 20,000 jobs are likely to be needed near the coalfields, while a similar concentration of agriculture designed to support fewer people at higher standards will necessitate a further 10,000 jobs in the countryside. In addition, 20,000 jobs for the growing number of school-leavers must be found by 1962. In order to strengthen the local authorities with the object of attracting new industries and fostering the tourist industry, the existing thirteen county councils should be amalgamated to six.

Finance and Commerce

Views on Property

FOR some weeks past, there has been a feeling in the City of London that all is not as well as it might be in the property share market. And it is a practical certainty that the commercial and financial centres in Birmingham, Manchester, Glasgow, etc., have been feeling the same. The London Stock Exchange has done something about it: new shares coming to the market must arrive by way of offer for sale; no more placings; and that, by and large, is where the matter rests. There is, therefore, an added importance in the words of Mr John Gaul, chairman of Sun Real Estates Ltd, whose accounts are the subject of this week's reprint.

'I have noticed of recent months', he says, 'that the field of property companies is becoming increasingly popular with the investor. But I observe a rather alarming change in the general character of the property investment that is now being offered.' He goes on to say that he has always regarded a property company as a suitable investment where (*a*) it already possesses its properties; (*b*) the properties are fully let or obviously capable of being fully let; and (*c*) only a portion – at best – of its assets are represented by sites and their possible development.

Disturbed Feeling

The present-day tendency of attracting the interest of the investing public in companies which are almost entirely based on prospective developments, Mr Gaul says, is one that needs to be viewed with great caution. It is particularly a matter of concern to older-established property-owning companies, he adds, who find themselves necessarily in the same investment category.

He is not criticizing those people who present their development prospects for public finance but it would be more satisfactory for all concerned, he maintains, if some category or description could be devised so that they did not fall to be classified with the ordinary property-owning investment company which may lack the spectacular 'growth' prospects of some of the companies which have agitated public concern recently, but which, in his view, at present afford a much safer and more secure medium of investment, still coupled with the growth prospects which are of interest to shareholders and investors.

There has been talk in the City that properties have been presented for public investment at figures in excess of those which they have been unable to fetch not long previously at public auction. If prospectus statements are properly supported by pro-

SUN REAL ESTATES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1959

Year Ended 31st March, 1958 £		£
21,008	To Mortgage Interest (Gross)	23,423
591	„ Bank Interest and Charges	2,185
—	„ Interest on Purchase Money	514
1,202	„ Management and Registration Office Expenses	1,843
324	„ Legal and Professional Charges	518
331	„ Auditors' Fees	442
18	„ Depreciation	8
37,660	„ Net Revenue for the Year, carried down ..	54,053
£61,134		£82,986

Year Ended 31st March, 1958 £		£
60,088	By Net Revenue from Properties after deducting Property Management, Repairs, etc.	82,113
126	„ Mortgage Interest (Gross)	112
920	„ Interest Receivable (Gross)	761
£61,134		£82,986

CONSOLIDATED REVENUE APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31st MARCH 1959

Year Ended 31st March, 1958 £	£		£	£
		To Provision for Taxation—		
		Based on these Accounts:		
	16,925	Income Tax	19,366	
	7,275	Profits Tax	5,200	
24,200				24,566
950		„ Amount paid on Surrender of Lease		—
564		„ Amount written off Financial Costs		1,232
		„ Dividends (less Income Tax):		
4,830		6% Convertible Cumulative Preference Shares for the Year Ended 1st March, 1959		4,292
		Ordinary Shares:—		
—		Interim of 6%		6,395
8,309		Proposed Final of 16%		18,212
1,469		„ Balance carried forward		825
£40,322				£55,522

Year Ended 31st March, 1958 £		£
37,660	By Net Revenue for the Year, brought down ..	54,053
2,486	„ Amount Received on Surrender of Lease, *less* Expenses	—
176	„ Balance brought forward at 1st April, 1958 ..	1,469
£40,322		£55,522

fessional valuations, this hardly seems possible but it shows how disturbed has become the feeling in regard to new property shares.

Substantially in Excess

GRADUALLY – very gradually – company boards are coming round to the conclusion that to provide shareholders with sales and profit figures twice yearly does not bring the wheels of industry to a stop. Even the directors of Courtaulds have decided that the half-yearly profit statements have advantages that outweigh the disadvantages – although just what the disadvantages are it is difficult to see.

There is, however, still a majority tendency to describe company results rather than state them in figures. Mr Maurice Abrahams, chairman of A.W. (Securities) Ltd – the controlling company of the Associated Weavers carpet and moquette group – tells shareholders that 'sales, production and profits of all our subsidiaries in the first quarter of the current year are substantially in excess of the same period of the year under review'.

Is it entirely against the company's interests to state in figures just what the sales, production and profit results are and to show accurately just what 'substantially in excess' means?

New Earning Sources

DIVERSIFICATION of interests by companies long established in one particular industry is now becoming a feature of the company scene and it carries with it a need for shareholders to be given an indication of the extent to which the earning sources of their company are being changed.

Lord Kindersley, in his statement to shareholders with the accounts of British Match Corporation Ltd, answers this need by stating that approximately 84·5 per cent of the group's assets are deployed in the match

SUN REAL ESTATES LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AT 31st MARCH, 1959

At 31st March, 1958 £	£		£	£
		Share Capital:		
		Authorised:		
	140,000	248,320 6% Convertible Cumulative Preference Shares of 10s. each	124,160	
	178,000	387,680 Ordinary Shares of 10s. each	193,840	
	£318,000		£318,000	
		Issued:		
	140,000	248,320 6% Convertible Cumulative Preference Shares of 10s. each, fully paid	124,160	
	170,000	371,680 Ordinary Shares of 10s. each, fully paid	185,840	
310,000				310,000
		Less: Capital Deficiency Account:		
111,456		Balance at 1st April, 1951		111,456
198,544				198,544
25,366		**Capital Reserve**		—
		Revenue Reserve:		
1,469		Revenue Account		825
225,379				199,369
26,917		**Loan** (Unsecured and free of Interest) John Gaul, Esq.		140,340
31,390		**Advances from Companies under Associated Management**		30,260
		Current Liabilities and Provisions		
	24,619	Sundry Creditors and Accrued Charges	35,640	
	57,556	Taxation	66,183	
	1,165	Mortgage Interest Accrued, *less* Income Tax	1,992	
	8,309	Provision for Proposed Dividend, *less* Income Tax, on Ordinary Shares (Net)	18,212	
	8,212	Bank Overdraft (Secured)	43,151	
		Unclaimed Dividends (Net):		
	8,314	On Preference Shares	12,606	
	10,915	On Ordinary Shares	18,582	
	5,625	Directors' Remuneration Unpaid	5,625	
124,715				201,991
£408,401				£571,960

JOHN GAUL
B. YOUNG } *Directors.*

At 31st March, 1958 £	£		£	£
		Fixed Assets		
		FREEHOLD AND LEASEHOLD PROPERTIES:		
22,100		(*a*) At Book Value at 31st March, 1947, *less* Subsequent Sales		22,100
243,321		(*b*) At Cost		620,094
440,700		(*c*) As Valued by the Directors on the basis of the Valuation made for Mortgage purposes		440,700
706,121				1,082,894
39,741		*Less:* Sales to date		59,474
666,380				1,023,420
405,130		*Less:* Mortgages on Freehold and Leasehold Properties		698,693
261,250				324,727
		EQUIPMENT, at Cost, *less* Depreciation:		
	162	At Cost	162	
	63	*Less:* Depreciation	71	
99				91
261,349				324,818
26,620		**Mortgages on Properties Sold**		28,035
30,574		**Advances to Companies under Associated Management**		25,662
		Current Assets:		
	22,969	Sundry Debtors and Payments in Advance	20,027	
	1,906	War Damage Repairs	—	
	22,775	Cash at Bank	14,699	
47,650				34,726
10,612		**Sinking Fund Premiums Paid**		15,996
	5,973	**Financial Costs**	12,927	
	1,729	*Less:* Amounts written off	2,851	
4,244				10,076
27,352		**Formation Expenses, Stamp Duties, etc.**		27,352
		Intangible Asset:		
—		Excess of Cost of Acquisition of Shares in Subsidiary Companies over book value		105,295
£408,401				£571,960

NOTES: (1) Conforming to the recommendations made at the time this Company acquired its Subsidiary Companies, no provision for Amortisation has yet been made as regards Leasehold Properties.
(2) Capital Commitments on Sinking Fund Premiums and Mortgage Repayments approximate per Annum to £9,800.
(3) There are Capital Commitments on Property Acquisitions approximating to £134,000 and financial steps relative.
(4) In accordance with the Articles of Association a Holder of Convertible Preference Shares is entitled at any time not later than 1st January 1970 to convert all or part of his Holding into Ordinary Shares.

industry at home and abroad (including companies supplying the match industry, such as Canadian Splint & Lumber Corporation Ltd). The remaining 15·5 per cent is in activities other than matches.

Of the group profit, before taxation, of £2,765,300 for 1958–59, some 84·8 per cent, he adds, may be attributed to matches and 15·2 per cent to non-match interests.

In the past two years the Corporation, through its Bryant & May subsidiary, has taken over The Airscrew Co & Jigwood and four other concerns which between them cover industries as diverse as carton and box making, portable ticket issuing machines and wire curtain rodding, wire brushes and pot scourers.

Triplex Information

'TO put you in the picture as much as possible we thought you might like to see the total of our sales in each case, what the product cost and what is left before the Chancellor gets at it.' In those words shareholders in Triplex Holdings Ltd are introduced to the break-down of their company's sales and earnings for the year to June 30th last.

Sir Graham Cunningham, the Triplex chairman, has set his own standards for 'chatty' reports but gradually the Triplex accounts, as well as the company's interim statements, are yielding more factual information as well as descriptive matter. Sir Graham, however, still considers that his annual review is best kept for the meeting which is very much a family affair and is attended by employees' representatives as well as by shareholders.

Another point worth mentioning in the Triplex accounts is the fold-over extension to the balance sheet which conveniently provides comparison of the latest figures with those of July 1st, 1958. The actual figures for June 30th, 1958, shown as a comparison in the balance sheet, were attributable to the Triplex group before the formation of the present holding company and the disposal of the subsidiary Quickfit group. The July 1st figures, after these changes, are therefore more strictly comparable with those in the latest accounts.

CITY NOTES

NEWS of the impending General Election has not apparently convinced stock-market operators that there is a degree of risk attached to an equity market that has consistently risen to a succession of new peaks.

At first, realization that the election was likely in October induced a fair amount of profit taking and London jobbers made the most of an opportunity to get prices down. Their efforts, however, have been thwarted by the resilience of the market and the apparent investment opinion that the election risk is worth taking.

The City, not unnaturally, is confident of the outcome of the election, but as a political barometer, City sentiment is not necessarily sound. There are too many minds thinking hopefully the same way.

The election topic has for the present forced other factors into the background and among these there is the matter of the interest rate tug-of-war between New York and London which has exerted some pressure on sterling in the foreign exchange market. The gain of £10 million in the gold reserves in August, however, provides evidence of sterling's basically strong position.

Despite election uncertainties the new issue market is very busy. Major new issues now launched are a £4 million rights operation by the Plessey Company and a £7½ million loan stock offer by Ranks, the flour millers. Thorn Electrical Industries is raising some £6 million and a number of leading brewery companies, among them Whitbreads, Flowers and Fremlins, are in the process of raising new funds. The results of recent offers show clearly that there is a handsome response to new offers made on attractive terms.

RATES AND PRICES

Closing prices, Wednesday, September 9th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

July 3	£3 9s 0·06d%	Aug. 7	£3 9s 7·97d%
July 10	£3 9s 0·22d%	Aug. 14	£3 9s 8·13d%
July 17	£3 9s 0·16d%	Aug. 21	£3 9s 8·39d%
July 24	£3 9s 0·13d%	Aug. 28	£3 9s 9·03d%
July 31	£3 9s 8·19d%	Sept. 4	£3 9s 9·52d%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80 3/16–5/16	Frankfurt	11·72½–⅝
Montreal	2·67⅛–3/16	Milan	1739¼–½
Amsterdam	10·59 17/32–19/32	Oslo	20·00⅝–⅞
Brussels	140·11–·12	Paris	13·73⅞–·74⅛
Copenhagen	19·33½–¾	Zürich	12·10⅞–·11⅛

Gilt-edged

Consols 2½%	51½xd	Funding 4% 60–90	91 5/16
Consols 4%	73⅛	Savings 2½% 64–67	84 5/16
War Loan 3½%	65⅛	Savings 3% 55–65	90¼
Conversion 3½%	64 3/16xd	Savings 3% 60–70	81⅜
Conversion 3½% 1969	87¾	Savings 3% 65–75	75 9/16
Exch'qu'r 5½% 1966	103xd	Treasury 2½%	47¾xd
Funding 3% 66–68	84⅜	Treasury 3½% 77–80	78¼
Funding 3% 59–69	83⅛xd	Treasury 3½% 79–81	77⅛
Funding 3½% 99–04	71 3/16	Victory 4%	95⅛

Reviews

The Role of the Managing Director

by GEORGE COPEMAN, PH.D. (Business Publications in association with B. T. Batsford Ltd, London. 42s net.)

The late Sir Ernest Benn once remarked that 'the managing director should say "yes" or "no" and nothing else'. Fortunately, Dr Copeman seems to have interviewed a more conversable group of thirty managing directors the results of which form the raw material on which his book is based. Twenty-one of those called upon to give evidence on their own behalf could be described as career men whose jobs depended upon sheer ability, while the other nine appear to owe their initial appointment to what may be loosely described as 'family connections'.

As for the size of firm, they range from small businesses with less than 200 employees up to large companies with 1,000 or more on the payroll. Dealing with such dissimilar units, it is not surprising to find that the scope of the managing director's responsibility varies a good deal. Indeed, in some firms, he is apt to turn into a veritable jack of all trades, or as one managing director puts it, 'in a small firm one must do in spirit, and in person, many of the things which the big firm would do via a system'.

However, this book goes a long way beyond the managing director's formal legal powers by describing just what he is called upon to do in practice as ascertained from case histories grouped under such diverse headings as: checking operations and results, co-ordinating work of departments, delegation of duties, relations with the chairman and other executives, and planning the work-day – all liberally interspersed with statements of principles or summaries of practice. For this reason the continuity of the material is rather interrupted in places and does not altogether lend itself to easy reading. Nevertheless, the book enables the managing director *in situ* to 'compare notes' with his opposite number in many other firms, while all those who aspire to the chief executive's chair can learn at first hand about the duties, personal qualities and attitudes of mind which enable him to command the personal authority without which his legal position can often be extremely insecure.

What stands out most forcibly is the self-disciplinary nature of the managing director's job, allied to the fact that his personality stamps itself indelibly on the firm whose fortunes he so jealously guards.

Modern Business Statistics

by JOHN E. FREUND and FRANK J. WILLIAMS. (Sir Isaac Pitman & Sons Ltd, London. 50s net.)

The purpose of this American text now made available in this country is 'to keep pace with the ever-increasing demand of business for college-trained personnel' and to meet the demand for a modern textbook on statistics for such readers. The coverage of the book is wide, and apart from the conventional descriptive statistics and time series analysis there are lengthy chapters on probability distributions and on significance tests which introduce the reader to the 'newer topics of statistical inference'.

Opinions as to what a course in business statistics should cover vary widely. As far as the United Kingdom is concerned this text goes beyond what such a course normally provides; not that this is necessarily undesirable. The business executive should be able to draw up good tables and effective charts to present his case; it is helpful if he understands in principle what the firm's professional statistician is talking about. This particular text goes further than this: it makes a serious effort to teach statistical method up to the point beyond which the non-mathematician cannot proceed. There are already in Britain several good books catering for such readers and at lower cost; two of them published by the same firm. There is no question as to the quality of the writing and clarity of exposition; these are good, but clearly to justify its price and place in the market, it should meet some particular need which the other books do not. With respect to the authors it is difficult to see where this is the case, except perhaps in the questions at the end of each chapter.

This is a thoroughly competent piece of work which in the States, despite intensive competition, will do well since it caters for a particular American market. Its success over here is less certain.

A Short History of Money

by GEORGE WINDER. (Newman Neame Ltd, London. 15s net.)

History is a matter of fact. A theory based on an individual interpretation of historical fact is a matter of opinion. Fact we must accept, however unpalatable; opinion we are entitled to reject. So long as it confines itself to history, Mr Winder's study of money is admirable; the moment he moves from narration to interpretation, both he and the reader are lost.

He treats money as sacred and inviolable; ignoring that money is a creation of Man for the benefit of Man, and that if it does not remain a benefit, it is the concept of money, not Man himself which must be changed.

He treats economic theories as laws of nature – for example, in Chapter XVI he writes: 'There is an inescapable correlation between the wage rate and unemployment.' He goes on to say that both Pigou

and Beveridge have expressed this opinion, and then concludes that what they have expressed is an 'unpleasant *natural* law' (*our italics*). Even if this statement were indisputably true – which it is not – it is evident that such a correlation can have nothing to do with natural laws.

He treats those who trade in money, and those who administer the orthodox banking system, as visionaries of genius rather than as fallible humans. Accordingly, what he appears to desire is control of the monetary system by them. To control the monetary system is, of course, to rule. Naturally, therefore, he approves the failure of the British Bank Charter Act of 1844, intended to wrest power from the bankers and 'place the monetary system', as he writes, 'under the complete control of the State'.

He suggests the cause of present-day inflation to be 'the inability of the Government to balance its budget, so that it must have recourse to the banking system for loans to pay its debts'. The fact is that if a government relies upon bankers' loans – that is, uses international money, based on gold, at the mercy of the exchange merchants – then it governs only in name. A true government, no matter what its politics or its construction, has the remedy in its own hands: to issue Statal money, based on the real wealth of the nation – natural abundance, the products of nature and industry, above all, the will and the physical strength of the people. Mr Winder is writing of the first sort of money; the second sort is real money, and of that he is silent.

Introduction to the World Economy

by A. J. BROWN, M.A., D.PHIL. (George Allen & Unwin Ltd, London. 18s net.)

If the hydrogen bomb has brought home to us the truth of the old dictum that peace is indivisible, the present world-wide recession – and not least the published works of the United Nations economic secretariat – has amply demonstrated that the national economies are interdependent. Not only can we not insulate ourselves against a world recession, but equally we stand to gain from raising the standard of life and level of production in the under-developed territories of the world.

The need for international co-operation in economic affairs is nowadays recognized, as is evident from the creation of the World Bank, the International Monetary Fund and G.A.T.T. It is equally true that sectional interests in various countries are not always pleased at the outcome of these new policies, and there is undisputably little real understanding of international economic affairs among the electorate.

This small book by Professor Brown is an ideal introduction to the serious-minded reader who, although not equipped with an economic training, nevertheless is anxious to know something about these matters. Professor Brown does not write down to his readers; he has the facility for expressing quite complicated issues in ordinary English. This book deserves a welcome both from students and from intelligent laymen.

The Theory of Public Finance: A Study in Public Economy

by RICHARD A. MUSGRAVE. (McGraw-Hill Publishing Co Ltd, London. 97s net.)

Within the lifetime of most readers of this review the economic role of the Budget has been completely revolutionized. As a result of Lord Keynes's writings, the Government and economists recognize the function of the Budget as an economic stabilizer. Most economic writing before the war concentrated on the stabilization aspect of public finance, although in recent years as tax rates have remained at levels undreamed of before the war, rather more attention has been paid to the economic effects of direct taxation. In view of the strong redistributive element in most modern budgets, the theory of welfare economics has enjoyed a substantial revival. Because the subject of public finance is so recent, most writings by individual authors have tended to concentrate on particular aspects of the theory and practice of public finance. Inevitably this interest has been stimulated by the ever-increasing scale of public outlays and the problems of maintaining revenues.

Professor Musgrave is an eminent American scholar in the field of public finance; he has also acted as consultant and adviser to the Federal Reserve System and the United States Government. This substantial volume – in both the intellectual and physical sense of the term – contains his efforts to synthesize the various branches of public finance into a coherent whole and to provide thereby a basic theory to guide fiscal and budgetary policy. To attempt to review, in the accepted sense of the term, so significant a book within the space of a short note would be an impertinence. It is intended primarily for fellow economists and employs from time to time the tools of the modern economic theorist. Nevertheless, there are large parts of this work which can be read by the general reader, not least by the accountant who has hitherto tended to regard the Budget mainly in terms of the clauses of the Finance Bill.

Shaw's Practical Guide to Valuation for Rating

(Shaw & Sons Ltd, London. 30s net.)

This new book is a particularly welcome one for all who pay rates or have to advise ratepayers. Although the authors are anonymous, a perusal of their work gives convincing proof of the publisher's claim that they are experts. The text is lucid and simple, and the extremely practical angle which is apparent on every page, the wide range of topics covered, together with the helpful diagrams and *pro forma* survey sheets, all show that the authors have very wide experience indeed.

The book is written from the standpoint of the valuer rather than that of the ratepayer who is likely to challenge his conclusions, but this by no means detracts from the value of the book to laymen; quite the contrary, in fact, for it helps the layman to know what he is up against.

One point which is both interesting and puzzling is that rating valuers apparently regard bank premises as being worth more to let than a comparable shop. One would have thought otherwise. Banks are almost invariably owner-occupiers, and while their premises have to have a solid and respectable look, involving the use of heavy and expensive building materials, if the premises have to be abandoned, it is difficult to let them profitably for any other kind of business, such as retail shops.

The Dictionary of English Law

General Editor: The Late Earl JOWITT; Editor: CLIFFORD WALSH, LL.M. (Sweet & Maxwell Ltd, London. Two volumes. £8 8s net.)

The production of this comprehensive two-volume lexicon covering English law from earliest times to the present day, giving a definition and an explanation of every legal term, old and new, is an achievement of moment. The materials are to a large extent derived from Byrne's *Law Dictionary* (1923) and the fourteenth edition of Wharton's *Law Lexicon* (1938). These have been integrated and added to from many sources, thoroughly revised and brought up to date.

The work is of course intended for lawyers, but it can be of very great assistance to other professional people like accountants whose daily work brings them into contact with the law at many points. A large number of legal maxims frequently heard are here produced and explained, with translations where they are in Latin or Norman-French. Some of them are very relevant to taxation. Again, there are lucid explanations of feudal terms which crop up from time to time. (It is surprising how often a dip into the distant past brings enlightenment on a modern problem.)

As to modern terms, the editors have combed the statutes to bring the dictionary up to date. For instance, under 'food' appears the definition thereof in the 1955 Food and Drugs Act. For 'balancing allowance' and 'balancing charge' one is given a definition and also a reference to the appropriate sections of the Income Tax Act, 1952, while even 'special contribution' is included, with references to the appropriate Finance Act and to a case decided in 1957. Occasionally the combing slips up: for instance under 'retail' the book cites three separate statutory provisions as though they were still in force, whereas all have been repealed and replaced, two of them as long ago as 1910.

One would have liked to see more attention paid to the Companies Act, 1948, with its conceptions of balance sheets, profit and loss accounts, 'true and fair view' and the like, and some observations on the meaning of 'profit' for income tax purposes might not have been out of place. The absence of any definition of the word 'vocation' is a little surprising. Nevertheless, the fact remains that this work is crammed with information which in the main is of great practical value, and even where it may not be useful, is certainly interesting.

Purchase Tax

by A. T. GRIEVE, M.A., LL.B., Solicitor. (Sweet & Maxwell Ltd, London. 25s net.)

It is remarkable that although purchase tax has been with us for seventeen years, there is so little textbook literature on the subject. This new book is to be welcomed not only for the useful practical information which it gives for the benefit of traders, but also for its suggestion that traders tend too much to accept what the Customs and Excise Department say is the law, without satisfying themselves, either by examining the Finance Acts or consulting lawyers, that the Department's view is correct.

The book falls into two parts; there are sixty-four pages of exposition, and another 130 pages giving the statutes and the various 'notices' issued by the Department – other than the voluminous Notice No. 78 which sets out the rates of tax for the various articles charged, and is subject to frequent amendment.

The Liability to Tax of Non-resident Companies: A Comparative Study in Fiscal Law

by J. H. TH. SCHIPPER, Doctor of Law (Amsterdam). (Martinus Nijhoff, The Hague. 16.50 guilders.)

This original and in some ways unique work is in English and deals in particular with the possibility of liability to tax of companies which carry on trade in the United Kingdom, India, or the Commonwealth of Australia, without being resident there. The author, in his duties with N. V. Philips Gloeilampenfabrieken, at Eindhoven in the Netherlands, was closely associated with the tax problems of that well-known company over a considerable period of time and has been able to draw on his practical experience, as well as on extensive studies of the relevant legislation and case law.

To one whose knowledge of British taxation has come from internal sources, the book provides a most refreshing approach to the many problems bound up with the taxation of the trading activities of persons who are not resident in the taxing country. In particular, the author challenges the principle that a trade is carried on where the contracts are made; he would say that the trade is carried on where it is directed and managed.

The author devotes most space to the British law and he examines the leading cases very closely, not to say critically. Considering that the text is written

by a foreigner there are remarkably few mistakes which are more than made up for by many excellencies. After examining the position in India and Australia, the author devotes about fifteen pages to a summary and his conclusions are worthy of the utmost attention by tax legislators.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Maintenance Relief

SIR, – I was particularly interested in your article 'Maintenance Relief' in the August 15th issue, having just recently agreed with the Inspector of Taxes a claim for relief which included expenditure in 1958–59, from which I deducted an amount recovered from the insurance company. After reading your article, I wrote to the Inspector again quoting Section 101 (3) and 332 (2), Income Tax Act, 1952, and asked that the claim should be revised on the grounds that the insurance recovery had been wrongly brought into account. This point was conceded without question and the whole cost of repairs allowed in a revised statement which I received almost by return of post. Yours faithfully,

T. A. N.

SIR, – Having read your recent articles on this subject I have made a claim for relief in respect of expenditure incurred in repairing buildings damaged by gales.

The Inspector has sought to disallow any sums recovered under an insurance policy, stating that Section 332 (2) (*a*) does not apply unless the property 'is actually demolished, destroyed or put out of use'. This seems to be rather a subtle distinction, and I shall be interested to know whether you consider he is right in his contention.

Yours faithfully,

Basingstoke. IAN DONALDSON.

[For the purpose of paragraph (*a*) of Section 332 (2), one has to decide whether the 'asset' is a part (say, the roof), or the whole building. If it is the whole building, still damage to a part may have put the whole building out of use. One would have to know the terms of the policy and the precise reason for, and the make-up of, the payment of compensation.

Assuming that the insurance moneys do not fall within (*a*), they may yet fall within (*b*) of Section 332 (2). This was fully explained in our issue of August 29th at page 133. – Editor.]

Fellowship

SIR, – With reference to Mr L. V. Slater's letter in your issue of August 29th, under the heading of 'Point of Principle', I cannot understand how the Fellowship proposals can be considered a reasonable compromise.

I think there is little doubt that a very large number of Fellows voted against the proposals. The position of Fellows is certainly affected for the worse by them, and the answer that we are all members of the Institute is not sufficient. Ordinary and preference shareholders are all members of a company, but separate votes need to be taken if the position of either is to be affected. Surely the Council was at fault in not making the same arrangements for the Fellowship proposals.

The whole proposal seems to spring from a fundamental misconception of the necessity for a distinction between an F.C.A. and an A.C.A. A number of speakers seemed to think that because an A.C.A. may have considerable responsibility in industry the distinction is invidious. Surely it is for an entirely different purpose – between those who are engaged in professional work and those who are not. How can a full-time director of a public company, probably with a contract of service very similar to other directors, possibly be considered to be doing professional work. He is rightly described as associated with the profession. Many of these eminent gentlemen were articled for a 'good business training'. A director of a large company has his standing in that position without further elaboration.

It is quite astounding to me that these proposals should have emanated from the Council. Where a large number of members of what has been called the profession of chartered accountancy are in commerce without any distinction from those engaged in professional work, chartered accountancy may cease to exist as a profession in the eyes of the general public. Can the A.C.A.s not see that they are likely to become part of something no longer considered a profession? Can the Fellows not do anything to stop this disaster to the profession?

Yours faithfully,

Liverpool. HAROLD MORLAND.

SIR, – The Institute's Fellowship proposals recently confirmed serve to remove a minor anomaly that received no comment at the appropriate time, probably because all we 'outcasts' felt that minor matters should not be permitted to obscure the main issues.

Associates in practice overseas, otherwise qualified for Fellowship, were, in fact, barred from that distinction by the operative rules. No Fellows were available to support our applications in the areas in which we practice!

Yours faithfully,

Madras, India. R. G. N. PRICE.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ORDINARY MEETING OF THE COUNCIL

At a meeting of the Council held on September 2nd, 1959, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the chair; Messrs C. Percy Barrowcliff, W. L. Barrows, H. A. Benson, C.B.E., Sir William Carrington, Messrs D. A. Clarke, W. G. Densem, Sir Harold Gillett, Messrs J. Godfrey, P. F. Granger, W. H. Lawson, C.B.E., H. L. Layton, J. H. Mann, R. P. Matthews, M.B.E., W. Bertram Nelson, C.B.E., Sir Thomas Robson, M.B.E., Messrs J. E. Talbot, E. Duncan Taylor, E. K. Wright.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Appleby, George; A.C.A., 1958; (S. 1950); (Heald, Appleby & Co.), 67 Mill View Drive, Tynemouth, Northumberland, and at Newcastle upon Tyne.

Bardsley, Ian Frederick Forrest; A.C.A., 1958; (J. Bardsley & Co), 16A Carter Gate, Newark, Notts.

Barton, Douglas Clement; A.C.A., 1950; (Gordon Weaver, Barton & Co), 183 High Road, Loughton, Essex.

Campbell, Kennedy; A.C.A., 1958; (S. 1954); (W. L. Jackson & Hesketh), 41 North John Street, Liverpool, 2, and at Hanley and Tunstall.

Cooke, Ivor Guest Hamel; A.C.A., 1948; 50 Suffolk Street, Birmingham, 1.

Copping, Ralph Greenwood; A.C.A., 1957; (Myrus Smith & Walker) Bank Chambers, 329 High Holborn, London, WC1.

Gallon, Geoffrey; A.C.A., 1958; (S. 1944); (*E. Skipper & Co), Trustees Savings Bank Chambers, Ellison Street, Jarrow, Co. Durham.

Gee, Brian Arnold; A.C.A., 1951; (Reeves & Rothwell), Capel House, New Broad Street, London, EC2.

Grimley, Anthony Robert; A.C.A., 1955; (Robert Grimley & Son), 30 Park Row, Nottingham.

Hill, Geoffrey Arthur Brian; A.C.A., 1956; (Foreman & Hill), Liberal Club Buildings, The Acre, Windsor, Berks.

King, Peter Francis Morrison; A.C.A., 1958; (S. 1956); (Francis F. King & Son), Queens House, Leicester Square, London, WC2, and (Wallace Cash & Co), 11 Stanhope Gate, Park Lane, London, W1; also at Amersham, (Francis F. King & Son).

Lickley, Albert Raymond; A.C.A., 1958; (S. 1948); (Mills & Black), Blake House, Bath Street, Bakewell, Derbyshire, and at Buxton, Matlock and Wirksworth.

Martin, Owen Neil; A.C.A., 1953; 16 Blackborough Road, Reigate, Surrey.

North, Brian Samuel; A.C.A., 1958; (*Roberts & North), 84 High Road, Beeston, Nottingham.

Rogers, Bernard William Gordon; A.C.A., 1953; 34 Silverthorn Gardens, North Chingford, London, E4.

Toole, Patrick John; A.C.A., 1957; 11 Court Drive, Sutton, Surrey.

Vize, John Clifford; A.C.A., 1958; (*Worrall, Vize & Co), 72 Bower Way, Cippenham, Slough, Bucks.

Witzler, Arnold; A.C.A., 1955; (J. Altman & Co), 36 Seymour Street, Portman Square, London, W1.

Elections to Fellowship

The following were elected to fellowship:

Basden, Brian Edward; A.C.A., 1951; (Mellors, Basden & Co), Portland House, 73 Basinghall Street, London, EC2, and at Manchester and Nottingham.

Chick, Kenneth James, B.COM; A.C.A., 1958; (S. 1953); (K. J. Chick & Co), 167 Watling Street West, Towcester, Northants, and at Northampton.

Hindley, Harold Brailsford; A.C.A., 1919; (†Whinney, Murray & Co), 14 Place de Meir, Antwerp, and at The Hague and Paris; also at Hamburg, (†Whinney, Murray, Baguley & Co).

Hobbs, David William; A.C.A., 1935; (Williamson, Butterfield & Roberts), City Chambers, 2 Darley Street, Bradford, 1, and at Cleckheaton.

Holder, Edward John Ring; A.C.A., 1952; (Darke, Robson & Co), 80 Bishopsgate, London, EC2.

Hollway, Frederick John; A.C.A., 1950; (Barratt, Brown & Co), York House, 38 Great Charles Street, Birmingham, 3, and at Brighton and London.

Jacobs, Coleman David, T.D.; A.C.A., 1949; (Gerald Braunton, Jacobs & Co), Temple Courts, 55 Temple Row, Birmingham, 2.

Kimble, Bernard Henry; A.C.A., 1958; (S. 1953); (*Stanley Gorrie, Whitson & Co), 9 Cavendish Square, London, W1.

Lace, James Irving; A.C.A., 1958; (S. 1954); (Edmund B. Gasking & Co), Martins Bank Chambers, Moor Street, Ormskirk, and (*W. F. Brown & Co). Westminster Bank Chambers, Aughton Street, Ormskirk; also at Formby (Edmund B. Gasking & Co), and Liverpool, (Gasking, Lace & Co) and (James Kerr & Sons).

Meek, Ronald Julian; A.C.A., 1954; 80 Wimpole Street, Cavendish Square, London, W1.

Phillips, Michael Lionel; A.C.A., 1954; (Hacker, Rubens & Co), 18 Maddox Street, London, W1.

Tate, John Charles; A.C.A., 1958; (S. 1954); (Geo. R. Williams, Tate & Co), 19 Windsor Place, Cardiff.

Twidale, Frederick Henry; A.C.A., 1935; (*Henry Twidale & Co), Rua Xavier Toledo 316, 14th Floor, Rooms Nos. 1404–8, São Paulo, Brazil.

Wilson, William Derek; A.C.A., 1954; (Wilson, Powell & Co), 48/50 Mosley Street, Manchester, 2, and at Buxton and Southport; also at Stockport (Jones, Wilson & Co).

Admissions to Membership

The following were admitted to membership of the Institute:

Abrahams, Norman Victor; A.C.A., 1959; Bay Bungalow, Station Road, Seaton, Devon.

Alcock, Brian Alan; A.C.A., 1959; 139 Cooks Lane, Birmingham, 33.

Alden, David John; A.C.A., 1959; 28 Spenser Crescent, Upminster, Essex.

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§ means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Allen, William Edwin; A.C.A., 1959; 44 Spring Park Avenue, Shirley, Croydon, Surrey.
Allman, Robert Holker; A.C.A., 1959; 15 Britain's Lane, Sevenoaks, Kent.
Anderson, John Herbert; A.C.A., 1959; 90 Whetstone Road, Pyestock, Farnborough, Hants.
Andersen, Reginald Ernest; A.C.A., 1959; 7 Garners Road, Chalfont St Peter, Bucks.
Andrews, Peter Reginald; A.C.A., 1959; 'Rossholme' The Breach, Devizes.
Andrews, Roger Thomas; A.C.A., 1959; 11 Clara Street, Stoke, Coventry.
Angell, Peter George; A.C.A., 1959; 75 Queens Road, Watford, Herts.
Ansdell, Peter; A.C.A., 1959; 17 Ashfield Road, Davenport, Stockport.
Anstice, Nicholas Frank; A.C.A., 1959; 82 Gaer Park Avenue, Newport, Mon.
Appleby, David Gordon; A.C.A., 1959; 15 Falding Street, Rotherham, Yorks.
Appleby, Edmund William; A.C.A., 1959; 272 Shobnall Road, Burton-on-Trent, Staffs.
Armitage, Brian Holmes; A.C.A., 1959; 6 Mansfield Place, Moor Road, Leeds 6.
Arnfield, Norman Fennell; A.C.A., 1959; 70 St. Mary's Road, Glossop, Derbyshire.
Arnold, Michael John, B.SC.(ECON); A.C.A., 1959; 58 Hilltop Road, Whyteleafe, Surrey.
Arthur, Michael John, B.COM; A.C.A., 1959; Minstead, Morda Road, Oswestry, Salop.
Atwell, Brian Howard; A.C.A., 1959; 57 Wentworth Avenue, Finchley, London, N3.
Auerbach, Daniel; A.C.A., 1959; 67 West Heath Road, Hendon, London, NW3.

Baker, Anthony Michael; A.C.A., 1959; 48 Wolseley Road, Bilston, Staffs.
Baker, Dennis Henry; A.C.A., 1959; 82 Ravensbourne Road, Catford, London, SE6.
Ball, David Francis; A.C.A., 1959; 21 Lagham Park, South Godstone, Surrey.
Balmford, James Norman; A.C.A., 1959; 3 Nelmes Road, Emerson Park, Hornchurch, Essex.
Bardsley, David Alan Bramwell; A.C.A., 1959; 3 Beechwood Villas, Illingworth, Halifax.
Barker, Dudley Graham; A.C.A., 1959; 11 Park Grove, Portway, London, E15.
Barker, Gerald Cecil; A.C.A., 1959; 4 Chalco Square, Chalk Farm, London, NW1.
Barker, Kenneth James; A.C.A., 1959; 20 Victoria Close, Horley, Surrey.
Barker, Trevor; A.C.A., 1959; 10 Allans Meadow, Neston, Wirral, Cheshire.
Barlow, Thomas Michael; A.C.A., 1959; 8 Banbury Road, Stratford-on-Avon, Warwicks.
Barnes, Peter James; A.C.A., 1959; 94 Third Avenue, Low Hill, Wolverhampton.
Barnes, Roger William; A.C.A., 1959; 19 Oakfield Avenue, Chesterfield.
Barnett, Brian John; A.C.A., 1959; 106 Winchmore Hill Road, Southgate, London, N14.
Baron Cohen, Hyman Vivian, B.A.; A.C.A., 1959; 52 West Heath Court, North End Road, London, NW11.
Barton, John Bernard; A.C.A., 1959; Golder Close, Strelley, Notts.
Bato, Michael Jacob; A.C.A., 1959; 74 Shirland Road, London, W9.
Beable, Rex Anthony; A.C.A., 1959; 14 Hillgrove Avenue, Yeovil, Somerset.
Beadsmoore, Harry; A.C.A., 1959; Morley Almshouses Lane, Morley, Derbyshire.
Beaumont, Edward Alan; A.C.A., 1959; 29 The Crescent, Off First Avenue, Ashton, Preston.
Bell, Malcolm Graham; A.C.A., 1959; Flat 61, 'The Limes', Limes Gardens, London, SW18.
Benson, John Barry; A.C.A., 1959; 28 High Street, Wolviston, Billingham-on-Tees, Co. Durham.
Bevan, David Howard; A.C.A., 1959; 19 Masson Avenue, South Ruislip.
Black, John; A.C.A., 1959; 11A Grange Avenue, Birkby, Huddersfield.
Blackwell, Terrence George; A.C.A., 1959; 28 Tabley Road, Holloway, London, N7.
Blake, Clive Spencer; A.C.A., 1959; 23 Fairlawn Drive, Redhill, Surrey.
Bland, Brian; A.C.A., 1959; with Fredk. Murgatroyd & Son, Royal Liver Chambers, Silver Street, Bury.
Blankstone, David Raymond; A.C.A., 1959; 19 Wells Road, Penn, Wolverhampton.
Blewden, Peter George; A.C.A., 1959; 124 New Road, Buckland, Portsmouth.
Board, Clinton Julian; A.C.A., 1959; with Cobden, Board & Co, Fountain House, Broomsgrove Road, Sheffield, 10.
Bobath, Peter Lutz; A.C.A., 1959; 8 Kildare Terrace, London, W2.
Bond, Alan; A.C.A., 1959; 208 Westbourne Avenue, Gateshead, 8, Co. Durham.
Bond, Alan Winstan; A.C.A., 1959; 273 Warwick Road, Olton, Solihull.
Bone, Eric, B.A.(ECON.); A.C.A., 1959; with Peat, Marwick, Mitchell & Co, 7 Coniscliffe Road, Darlington.
Bonser, Edgar Douglas; A.C.A., 1959; 32 Dartmouth Street, West Bromwich, Staffs.
Booth, Paul Denys; A.C.A., 1959; 20 Roberts Avenue, Leeds 9.
Bourgaize, Owen Edward; A.C.A., 1959; 'Kensington', St Peter's, Guernsey, C.I.
Bowes, Christopher John Lincoln, B.A.; A.C.A., 1959; 10 Savile Park, Halifax, Yorks.
Bradley, Eric Gordon; A.C.A., 1959; 38 Orchard Avenue, Parkstone, Poole, Dorset.
Bradshaw, Timothy John; A.C.A., 1959; Stable Cottage, Woodhurst Lane, Oxted, Surrey.
Branch, Frank; A.C.A., 1959; 9 Gramfield Road, Crosland Moor, Huddersfield.
Brazier, Colin; A.C.A., 1959; Hillview, North Road, Holsworthy, North Devon.
Bright, Maurice; A.C.A., 1959; 8 Lilian Avenue, Wallsend-on-Tyne, Northumberland.
Brittain, John Jeremy Mitchell; A.C.A., 1959; with McCann, Humphreys & Co, 5 John Dalton Street, Manchester, 2.
Brodie, Eldred John Paterson; A.C.A., 1959; 74 Onslow Gardens, London, SW7.
Brook, Colin Malcom; A.C.A., 1959; 124 Sweetbrier Lane, Exeter, Devon.
Brook, George Herbert; A.C.A., 1959; 'Rockville', Stainland, near Halifax.
Brooks, Bryan Harrison; A.C.A., 1959; 7 The Green, Cheadle Hulme, Cheadle, Cheshire.
Broom, Robert Harold; A.C.A., 1959; c/o Marcus Hazlewood & Co, 1 North Place, Cheltenham.
Broomhead, Philip; A.C.A., 1959; 6 Prospect Road, Heckmondwike, Yorks.
Brouard, Robert, B.SC.(ECON); A.C.A., 1959; 45 Maresfield Gardens, London, NW3.
Brow, John David Bromfield; A.C.A., 1959; 145 Haddon Drive, Woodley, near Reading, Berks.
Brown, David John, B.SC.(ECON); A.C.A., 1959; 15 Fulmer Way, London, W13.
Brown, George William, B.A.(ECON.); A.C.A., 1959; 15 Fairfield Road, Newcastle upon Tyne, 2.
Brown, Michael, B.A.; A.C.A., 1959; 35 Elmwood Road, London, SE24.
Brown, Robert; A.C.A., 1959; 22 Wynford Rise, West Park, Leeds, 16.
Bryce, Iain Ross; A.C.A., 1959; 94 St. James' Road, Bridlington, E. Yorks.
Buck, Alan George; A.C.A., 1959; 90 Tresham Road, Great Barr, Birmingham, 22A.
Bullock, Anthony David, B.COM.; A.C.A., 1959; Proven, Off Somerset Avenue, Wilpshire, near Blackburn.
Bulfield, Robert William; A.C.A., 1959; 79 Conway Crescent, Perivale, Middx.

Burger, Philip Thomas Frederick; A.C.A., 1959; 18 Clarence Road, Wimbledon, London, SW19.
Burges, Roy Thomas; A.C.A., 1959; 93 Bearton Road, Hitchin.
Burgess, Peter James; A.C.A., 1959; 29 Pitts Lane, Earley, Reading, Berks.
Burnham, Peter Michael, B.A.; A.C.A., 1959; Lodge Cottage, Holbrook Lane, Chislehurst, Kent.
Burnside, Allan Hamilton; A.C.A., 1959; 10 Southlands Grove, Bickley, Kent.
Butcher, William Anthony; A.C.A., 1959; 6 Burbage Place, Alvaston, Derby.
Butson, Malcolm Gordon; A.C.A., 1959; 47 Whitehouse Way, Southgate, London, N14.
Butterworth, Cyril; A.C.A., 1959; 266 Bolton Road, Hawkshaw, near Bury, Lancs.

Calder, Michael John, B.A.; A.C.A., 1959; 11 Southwell Gardens, London, SW7.
Caldwell, Harry; A.C.A., 1959; 10 Lytton Road, Droylsden, near Manchester.
Campbell, Colin; A.C.A., 1959; 9 Rollswood Road, Welwyn, Herts.
Campbell, Colin Malcolm; A.C.A., 1959; with Binder, Hamlyn & Co, 121 Queen Victoria Street, London, EC4.
Canham, John Michael; A.C.A., 1959; 120 Perry Vale, Forest Hill, London, SE23.
Cann, Christopher Richard; A.C.A., 1959; 32 Stonehill Road, East Sheen, London, SW14.
Capper, Douglas John; A.C.A., 1959; 35 Victoria Avenue, Wallington, Surrey.
Carr, Allen John; A.C.A., 1959; 21 Quill Lane, Putney, London, SW15.
Carrano, David Francis; A.C.A., 1959; 55 Tempest Avenue, Potters Bar, Middx.
Carter, John Richard; A.C.A., 1959; 1 The Ridgeway, Finchley, London, N3.
Caulfield, Derek; A.C.A., 1959; 34 Apollo Street, Liverpool, 6.
Chamberlain, John Robert; A.C.A., 1959; 7 Cley Hall Drive, Spalding.
Champion, John Frederick; A.C.A., 1959; 'Pen Lea', Liverpool Road, Hutton, near Preston, Lancs.
Chandler, John Gordon; A.C.A., 1959; 14 Rangers Walk, Hanham, Bristol.
Chapman, Richard Alfred; A.C.A., 1959; 'Palma Nova', Hilldale, West Town Park, Backwell, Somerset.
Chapman, Ronald Walter; A.C.A., 1959; 20 Green Walk, Crayford, Kent.
Chapman, Roy; A.C.A., 1959; 33 Park Avenue, Hartsholme, Lincoln.
Chatwin, Carl Gordon, B.COM.; A.C.A., 1959; 16 St Augustine's Road, Edgbaston, Birmingham, 16.
Chawner, Martin Andrew, B.A.; A.C.A., 1959; 40 Southernhay Road, Leicester.
Chenery, Peter John; A.C.A., 1959; 99 Alleyn Park, West Dulwich, London, SE21.
Church, John George; A.C.A., 1959; The Grange, Harpole, Northants.
Clark, Brian John Thompson; A.C.A., 1959; 39 Smitham Bottom Lane, Purley, Surrey.
Clark, Keith William; A.C.A., 1959; 16 Barton Road, Wheathampstead, Herts.
Clarke, Donald Frederick George; A.C.A., 1959; 79 Warners End Road, Hemel Hempstead, Herts.
Clarke, Peter Beverley; A.C.A., 1959; 'Pengara', Eghams Wood Road, Beaconsfield, Bucks.
Clarke, Vernon David; A.C.A., 1959; 55 Springhall Road, Sawbridgeworth, Herts.
Clegg, Charles Ian; A.C.A., 1959; 73 North Gate, Garden Suburb, Oldham, Lancs.
Clinton, Walter Burnham, B.A.; A.C.A., 1959; 76 Church Street, Woking, Surrey.
Clinton, William Martin; A.C.A., 1959; 2 Gibbons Road, Wolverhampton.
Clough, John; A.C.A., 1959; 'Trevone', Park Lane, Ramsden Heath, Billericay, Essex.
Clough, John David; A.C.A., 1959; 9 Churchill Street, Rochdale, Lancs.
Cohen, Alan Abraham; A.C.A., 1959; 43 Minchenden Crescent, Southgate, London, N14.
Cohen, Paul Anthony; A.C.A., 1959; 24, Sneath Avenue, Golders Green, London, NW11.
Cole, Roy Charles; A.C.A., 1959; 14 Tyrrells Road, Billericay, Essex.
Collins, Stanley Simon; A.C.A., 1959; 42 Wicklow House, Stamford Hill, London, N16.
Collins, Terence Malcolm Anthony; A.C.A., 1959; 5 Acreman Close, Cerne Abbas, Dorchester, Dorset.
Collister, Roy, B.A.(COM.); A.C.A., 1959; Aston Ville, Castle Mona Avenue, Douglas, Isle of Man.
Coney, Michael John Henry, M.A.; A.C.A., 1959; Thornhill Rectory, Dewsbury, Yorks.
§Conlon, Kieran Joseph, B.A.; A.S.A.A., 1959; 2A Asylum Road, London, SE15.
Constantine, Roy; A.C.A., 1959; 30 Uxbridge Road, Stanmore, Middx.
Cook, Francis Walker; A.C.A., 1959; 48 Rydal Avenue, Billingham-on-Tees, Co. Durham.
Cook, Kenneth John Charles; A.C.A., 1959; 85 Ashness Gardens, Greenford, Middx.
Cooke, Derek Leonard; A.C.A., 1959; 4 Gloucester Road, Urmston, Manchester.
Coomber, Anthony John; A.C.A., 1959; 56 Dalmeny Road, Carshalton, Surrey.
Coop, Geoffrey Brian, M.A.; A.C.A., 1959; with Rowley, Pemberton & Co, 9 Bishopsgate, London, EC2.
§Cooper, James Barnsdale; A.S.A.A., 1959; 28 St Philips Avenue, Worcester Park, Surrey.
Cooper, Reginald Culmer, B.SC.(ECON.); A.C.A., 1959; 67 Oakwood Court, London, W14.
Copeland, Dennis, B.A.(ECON.); A.C.A., 1959; 36 Steade Road, Sheffield, 7.
Cornwell, Roger Franklin; A.C.A., 1959; 58 Drayton Gardens, Winchmore Hill, London, N21.
Costello, Peter Gavin; A.C.A., 1959; 82 Beechcroft Road, London, SW17.
Courtis, John; A.C.A., 1959; Harvard Cottage, Swan Lane, Stock, Ingatestone, Essex.
Cousins, Leslie; A.C.A., 1959; 107 Cleveland Street, London, W1.
Cowan, Peter John; A.C.A., 1959; 44 Hide Road, Harrow, Middx.
Cowe, (Miss) Mary Ford; A.C.A., 1959; with Williams, Taylor & Co, 11 Peter Street, Manchester, 2.
Cox, Alan George; A.C.A., 1959; 230 Norman Road, Warley, Smethwick, 41.
Cox, John Adrian; A.C.A., 1959; 433 Sutton Road, Walsall.
Cox, Peter Robert; A.C.A., 1959; 104 Harlaxton Road, Grantham, Lincs.
Cracknell, Bernard John; A.C.A., 1959; 62 Worth Road, Pound Hill, Crawley, Sussex.
Cranfield, Peter Gerald; A.C.A., 1959; 27 Speer Road, Thames Ditton, Surrey.
Crisp, Martin Gerald; A.C.A., 1959; 159 Hall Green Road, West Bromwich, Staffs.
Crispe, Robert Nicholas, M.A.; A.C.A., 1959; Great Martins, Shurlock Row, near Reading, Berks.
Cross, John Michael; A.C.A., 1959; 39 Chestnut Avenue, Priory Estate, Dudley, Worcs.
Crossey, Robert Allison; A.C.A., 1959; 22 Norton Park View, Norton, Sheffield, 8.
Crosswaite, Gordon Leslie, B.COM.; A.C.A., 1959; 92 Northfield Lane, Horbury, near Wakefield, Yorks.
Cutland, Roger John Charles; A.C.A., 1959; 2 Cranborne Avenue, Norwood Green, Southall, Middx.
Cutler, Richard Stephen; A.C.A., 1959; 9 Woodlands Road, Surbiton, Surrey.

Dando, Brian Harry; A.C.A., 1959; 18 Queens Acre, Cheam, Surrey.
Dann, John Morley; A.C.A., 1959; 9A De Freville Avenue, Cambridge.

Davidson, John; A.C.A., 1959; 4 Tweed Row, Horncliffe, Berwick upon Tweed.
Davies, Brian Richard; A.C.A., 1959; 49 Lowshoe Lane, Collier Row, Romford, Essex.
Davies, David Austin; A.C.A., 1959; 26 Islwyn Street, Abercarn, Mon.
Davies, Gerald Michael Trevor; A.C.A., 1959; 52 Thurlow Park Road, West Dulwich, London, SE21.
Davies, John Michael; A.C.A., 1959; 8 Knaresboro Avenue, Blackpool.
Davis, Andrew John; A.C.A., 1959; 2 Stratford Crescent, Cringleford, Norwich.
Davis, Geoffrey Frederick; A.C.A., 1959; 181 Tamworth Lane, Mitcham, Surrey.
Davis, Maxwell Edmund; A.C.A., 1959; 119 Victor Road, Sheldon, Solihull, Warwicks.
Dawes, Peter; A.C.A., 1959; 40 Willoughby Road, Kingston upon Thames, Surrey.
Dawson, Peter Edward; A.C.A., 1959; 116 College Road, Perry Barr, Birmingham, 22B.
Day, David Oliver; A.C.A., 1959; 58A Bensham Grove, Thornton Heath, Surrey.
Dellal, David; A.C.A., 1959; 80 Brook Green, Hammersmith, London, W6.
De Morgan, Robin Arthur; A.C.A., 1959; 50 Pebworth Road, Harrow, Middx.
Dent, Robert; A.C.A., 1959; 54 Grammar School Road, Brigg, Lincs.
Devaux, Frederick Nicholas Paul, B.SC.(ECON.); A.C.A., 1959; 53 Belsize Park, London, NW3.
Dickey, David Patrick Robert; B.A.; A.C.A., 1959; 131 Ty Mawr Road, Llandaff North, Cardiff.
Dickie, William Douglas; A.C.A., 1959; 54 First Avenue, Chelmsford, Essex.
Dickinson, David; A.C.A., 1959; 10 Errwood Street, Newton Heath, Manchester, 10.
Dickinson, Graham Wilson, B.SC.(ECON.); A.C.A., 1959; 100 Bispham Road, Blackpool.
Dodsworth, Ian James; A.C.A., 1959; 4 Warren Road, North Chingford, London, E4.
Douglas, Geoffrey Laver; A.C.A., 1959; 8 Coniston Avenue, Fleetwood, Lancs.
Downes, John Charles; A.C.A., 1959; 499 Burnage Lane, Burnage, Manchester, 19.
Drew, Patrick Keith; A.C.A., 1959; Southcroft, The Warren, Caversham, near Reading, Berks.
Dron, Henry; A.C.A., 1959; 17 Ersham Road, Canterbury.
Duck, Derek Edward; A.C.A., 1959; 112 Highbury New Park, Highbury, London, N5.
Dufty, Michael; A.C.A., 1959; 32 Rotten Park Road, Edgbaston, Birmingham.
Duparc, Robert Anthony; A.C.A., 1959; The Bynn, Village Way, Little Chalfont, Amersham, Bucks.

Eastwood, Walter Hugh; A.C.A., 1959; 'The Croft' Holmfield Avenue, Cleveleys, near Blackpool.
Edwards, Christopher Hugh Charlton; A.C.A., 1959; Walnut Tree House, Clent, near Stourbridge, Worcs.
Edwards, Gordon William Francis; A.C.A., 1959; 341 Thornton Road, West Croydon, Surrey.
Ellis, Donald; A.C.A., 1959; 1 Riversway, Off St Walburgas Road, Blackpool.
Elvy, Robert Paul; A.C.A., 1959; 20 Shirehall Gardens, London, NW4.
Emmett, Clive; A.C.A., 1959; 19 Holly Street, Nelson, Lancs.
Evans, Malcolm, B.A.; A.C.A., 1959; 13 Gwendolen Avenue, Putney, London, SW15.
Evans, Robert Douglas; A.C.A., 1959; 41 Ringmer Road, Brighton, 6, Sussex.
Evans, Stephen Norton Parry, B.A.,; A.C.A., 1959; 7 Church Street, Pontlottyn, Glam.
Ewart, David John; A.C.A., 1959; 14 Swan Court, Flood Street, London, SW3.

Fabb, Alan Charles, B.SC.(ECON.); A.C.A., 1959; 5 Beech Road, Tividale Hall Estate, near Dudley, Worcs.
Faiers, Charles Peter; A.C.A., 1959; 2 High Street, Little Wilbraham, Cambs.
Fairburn, Donald; A.C.A., 1959; 'South View', Thurstaston Road, Irby, Wirral, Cheshire.
Farquharson, Donald Stuart; A.C.A., 1959; 12 Acacia Road, Leamington Spa, Warwicks.
Farrell, Michael; A.C.A., 1959; 'Bridgecourt', Lady Byron Lane, Knowle, Warwicks.
Fearnley, Albert Eric; A.C.A., 1959; 113, Winwick Road, Newton le Willows, Lancs.
Fenwick, Michael John, B.A.; A.C.A., 1959; 'Oakridge', Grange Road, West Hartlepool, Co. Durham.
Finch, (Miss) Susan Wendy; A.C.A., 1959; 12 Littleton Crescent, Harrow, Middx.
Finlay, Basil Fleming Gayer; A.C.A., 1959; 8 North Way, Kingsbury, London, NW9.
Finnerty, Colin William; A.C.A., 1959; 37 Eton Avenue, New Malden, Surrey.
Finn-Kelcey, John Richard Ernest; A.C.A., 1959; Cenning, Kennington, Ashford, Kent.
Fleury, Michael Antony; A.C.A., 1959; 87 Green Lane, Burnham, Bucks.
Flint, Eric Victor; A.C.A., 1959; 15 Croft Brow, Garden Suburb, Oldham.
Flint, John Dudley; A.C.A., 1959; 437 London Road, Leicester.
Flynn, Francis Albert; A.C.A., 1959; 25 Turret Grove, Old Town, Clapham, London, SW4.
Fotheringham, Ian West, B.A.; A.C.A., 1959; Broad Reach, Brudenell Road, Canford Cliffs, Dorset.
Fowler, Ian, B.A.; A.C.A., 1959; 44 Bassett Gardens, Osterley, Isleworth, Middx.
Fox, Richard Murray, B.A.; A.C.A., 1959; Flat 12, 11 Embankment Gardens, London, SW3.
Freeda, Gloria, (Mrs); A.C.A., 1959; 28 Bell Lane, Hendon, London, NW4.
Freedman, Donald; A.C.A., 1959; 23 Hillersdon Avenue, Edgware, Middx.
Freedman, Jeromé David; A.C.A., 1959; 4 Cedar Gardens, Withdean, Brighton, 6.
Fulford, Michael John; A.C.A., 1959; 26 Wakerley Road, Evington, Leicester.
Fuller, Robert Saunders; A.C.A., 1959; 16 Sandringham Road, Thornaby-on-Tees, Stockton-on-Tees.
Fulwell, John; A.C.A., 1959; 5 Bishops Mead, Boxmoor, Herts.
Furness, Neville Atkinson; A.C.A., 1959; 10 King Edward Road, Newcastle upon Tyne, 6.

Gates, Clive Robert; A.C.A., 1959; 14 Dicey Avenue, Cricklewood, London, NW2.
Gaught, Ronald Edgar; A.C.A., 1959; 43 Drake Road, Bishopstoke, Eastleigh, Hants.
Genock, Max Pierre; A.C.A., 1959; 95 The Avenue, Wembley Park, Middx.
Getgood, Henry Graham; A.C.A., 1959; Leadale, Davenham Avenue, Northwood, Middx.
Ghosh, Satya Brata; A.C.A., 1959; 18 College Drive, Manchester 16.
Gibson, Robert Neil; A.C.A., 1959; Hillway, Woodgates Lane, North Ferriby, E. Yorks.
Gidman, Trevor Christopher; A.C.A., 1959; Ridgeholme, Rockcliffe, Carlisle.
§Gilbert, Richard Michael; A.S.A.A., 1959; 39 Hollybush Road, Kingston upon Thames, Surrey.
Gilbert, Robert Charles, B.A.; A.C.A., 1959; 31 Park Road, Bury St. Edmunds, Suffolk.
Gilchrist, Alec; A.C.A., 1959; 29 Parkbourn, Maghull, Liverpool.
Gillard, Wyndham; A.C.A., 1959; 34 Antrobus Road, Sutton Coldfield, Warwicks.
Gillespie, Brian John, B.A.; A.C.A., 1959; 4 Park Drive, Melton Park, Gosforth, Newcastle upon Tyne, 3.
Gillgrass, Michael John; A.C.A., 1959; 22 Beechwood Grove, Wibsey, Bradford, 6.
Goddard, Geoffrey; A.C.A., 1959; 46 Haynes Road, Tarring, Worthing, Sussex.

Goddard, Michael Richard; A.C.A., 1959; with Benard & Co, 397A Hendon Way, Hendon, London, NW4.
Gold, (Miss) Joyce Isabel; A.C.A., 1959; 47 Northfield Road, Stamford Hill, London, N16.
Gold, Stuart Morris; A.C.A., 1959; 1 Peter Avenue, Willesden, London, NW10.
Goldspink, Michael David; A.C.A., 1959; 5 Wheeler Close, Boston, Lincs.
Goodall, Arthur Alan; A.C.A., 1959; 2 Rhuddlan Road, Rhyl, North Wales.
Gooday, Ernest George; A.C.A., 1959; 15 Ruvigny Mansions, The Embankment, London, SW15.
Goodenough, John Matcham; A.C.A., 1959; 78 Shirley Road, Southampton.
Goodhew, Kenneth Thomas Ashley; A.C.A., 1959; with Layton-Bennett, Billingham & Co, 23 Blomfield Street, London Wall, London, EC2.
§Goodwin, George William Roy; A.S.A.A., 1959; 783 Wandsworth Road, London, SW8.
Gordon, Stuart Nicholson; A.C.A., 1959; 24 Westgate Road, Knighton, Leicester.
Gothard, Guy Edwin; A.C.A., 1959; 48 Goldington Avenue, Oakes, Huddersfield.
Gotsell, Donald James Richard; A.C.A., 1959; 2 Hillington Square, King's Lynn, Norfolk.
Gould, Brian Philip; A.C.A., 1959; 4 Princess May Road, London, N16.
Graham, Brian Spencer; A.C.A., 1959; 62 Lightfoot Drive, Harraby, Carlisle, Cumberland.
Grant, James William; A.C.A., 1959; 41 West Towers, Pinner, Middx.
Grant, Maurice; A.C.A., 1959; 2 Park Gardens, Kingsbury, London, NW9.
Grass, Derick George; A.C.A., 1959; Cleveland Cottage, Kirkby-in-Cleveland, Middlesbrough.
Graves, Oliver Winter; A.C.A., 1959; Hillcroft, Ardingly, near Haywards Heath, Sussex.
Gray, Frank Henry; A.C.A., 1959; 12 Mimms Hall Road, Potters Bar, Middx.
Green, Kenneth Peter; A.C.A., 1959; 7 Rushleigh Avenue, Cheshunt, Herts.
Greenhalgh, Alan; A.C.A., 1959; with Joseph Crossley & Sons, 55 Cross Street, Manchester, 2.
Greenhalgh, Anthony John; A.C.A., 1959; 5 Lynne Walk, Esher, Surrey.
Gresham, Richard Freeston; A.C.A., 1959; Heather Mount, St Leonards, Ringwood, Hants.
Grimes, John Edward; A.C.A., 1959; 15 Wirral Gardens, Bebington, Wirral, Cheshire.
Groves, Denys David; A.C.A., 1959; The Lodge, Penylan Court, Ty Gwyn Road, Cardiff.
Grunwell, Peter Higson; A.C.A., 1959; 2 Pine Grove, Worsley, near Manchester.

Haines, John Cyril George; A.C.A., 1959; 'Gateways', Moat Lane, Taynton, Glos.
Haines, (Miss) Joyce; A.C.A., 1959; 12 Rugby Terrace, Nursery Lane, Ovenden, Halifax, Yorks.
Hall, John Edward Vine; A.C.A., 1959; 23 Tower Road West, St Leonard-on-Sea, Sussex.
Hall, Kenneth Julian; A.C.A., 1959; 2 Catesby Road, Rugby, Warwicks.
Hall, Robert Michael; A.C.A., 1959; 7 Bachelors Lane, Dee Banks, Chester.
Hanks, Brian Richard; A.C.A., 1959; 52 Byron Avenue, Coulsdon, Surrey.
Harbut, David John; A.C.A., 1959; The Manse, Northfields Road, Nailsworth, Glos.
Harding, David Angrave; A.C.A., 1959; 19 The Avenue, Cheam, Surrey.
Harding, Paul Berkeley; A.C.A., 1959; 145 Dorridge Road, Dorridge, Solihull, Warwicks.
Harper, John Alfred; A.C.A., 1959; 14 Boscobel Road, Walsall, Staffs.
Harris, Colin Michael; A.C.A., 1959; 73 Bickenhall Mansions, Baker Street, London, W1.
Harvey, Dereck Robin Harry; A.C.A., 1959; 34 Duke Street, Botley, Oxford.
Harvey, Peter Charles Oliver, B.A.; A.C.A., 1959; 2 Halsey Street, London, SW3.
Harvey, Terence Stanley; A.C.A., 1959; 106 Elms Road, Harrow Weald, Middx.
Hatch, Brian Seymour; A.C.A., 1959; 45 Woodlands Avenue, Woodley, Reading, Berks.
Hawkins, Roger Keith; A.C.A., 1959; 50 Gleneagles Avenue, Leicester.
Haworth, Robert; A.C.A., 1959; 29 Kingsway West, Penwortham, Preston.
Healey, David Edward, B.A.; A.C.A., 1959; The Croft, Sutton Courtenay, Abingdon, Berks.
Heap, Geoffrey William; A.C.A., 1959; 25 Whitlock Crescent, Bayview Village, Toronto 5, Ontario, Canada.
Heathcote, Jack Raymond; A.C.A., 1959; 'Tin Tao', Gospel End Road, Gospel End, Sedgley, Staffs.
Henson, Raymond; A.C.A., 1959; 3 Atkinson Terrace, Newcastle upon Tyne, 4.
Herbert, Graham Herbert; A.C.A., 1959; Broomefield House, Blakedown, near Kidderminster, Worcs.
Hesmondhalgh, James; A.C.A., 1959; 'Lintrathen', Moor Lane, Hutton, Preston.
Hetherington, Ian James; A.C.A., 1959; 7 Beech Walk, London, NW7.
Hewett, Patrick Francis; A.C.A., 1959; 73 Arbury Road, Cambridge.
Hewitt, Tom; A.C.A., 1959; with Wilson, Powell & Co, 48/50 Moseley Street, Manchester, 2.
Hewson, James Peter; A.C.A., 1959; 20 Jesmond Road, Cottingham, E. Yorks.
Heywood, Alan Reginald; A.C.A., 1959; 22 Shetland Road, Southmead, Bristol.
Hickabottom, Robert Michael; A.C.A., 1959; 36 Garfield Street, Gainsborough, Lincs.
Hill, Alan Michael; A.C.A., 1959; 118B Lexham Gardens, Kensington, London, W8.
Hillel, David; A.C.A., 1959; 5 Parkway, Golders Green, London, NW11.
Hillyer, Bernard David Vernon; A.C.A., 1959; 49 Fitzjohns Road, Lewes, Sussex.
Hinton, Michael Herbert; A.C.A., 1959; with Sunderland, Mountstephen & Co, 15 Eastcheap, London, EC3.
Hodgkinson, Francis Geldeard; A.C.A., 1959; 53 Symonds Road, Preston.
Hodgson, Cedric Jerome; A.C.A., 1959; 14 Arnold Road, Gravesend, Kent.
Hodgson, John Anthony; A.C.A., 1959; 18 Moorland Grove, Bessacarr, Doncaster.
Hodgson, Peter Lee; A.C.A., 1959; 'Camborne', Fiddler's Lane, Clayton-le-Woods, near Chorley, Lancs.
Holden, Peter Colin; A.C.A., 1959; 76 Weighton Road, Harrow Weald, Middx.
Holiday, Frederick Mark; A.C.A., 1959; c/o Holiday, Cutler, Bath & Co Ltd, Denmark House, Collier Quay, Singapore.
Holiday, Gilbert Richard, B.SC.(ECON.); A.C.A., 1959; c/o Rooper & Whately, 17 Lincoln's Inn Fields, London, WC2.
Holloway, Anthony Paul; A.C.A., 1959; Dunaway, Alton Road, Wilmslow, Cheshire.
Hordern, Anthony Christopher Shubra; A.C.A., 1959; with C. Herbert Smith & Russell, 40/42 Great Charles Street, Birmingham, 3.
Horwood, Colin George; A.C.A., 1959; with A. C. Brading & Co, 107 High Street, Hungerford, Berks.
Hoy, Colin William; A.C.A., 1959; 43 Beresford Gardens, Enfield, Middx.
Hudson, Graham Leslie; A.C.A., 1959; Little Copped Hall, Epping, Essex.
Hughes, Peter Brian; A.C.A., 1959; 46 Queens Drive, Heaton Mersey, Stockport, Cheshire.
Hughes, Peter William; A.C.A., 1959; The Croft, Marford Hill, near Wrexham.

Hully, Desmond Hooton; A.C.A., 1959; 19 Kensington Avenue, Gosforth, Newcastle upon Tyne, 3.
Hume, Christopher David; A.C.A., 1959; 31 Langford Road, Burley in Wharfedale, Yorks.
Humphreys, Kenneth Wilfred; A.C.A., 1959; 12 Byron Grove, Leigh, Lancs.
Humphries, Peter William; A.C.A., 1959; 23 Oakwood Close, Redhill, Surrey.
§Huq, Abu Tashfin Mohammed Iftekharvl; A.S.A.A., 1959; c/o J. Ahmed, London House, Guilford Street, London, W1.
Hutchinson, James Alexander; A.C.A., 1959; London House, Guilford Street, London, WC1.

Ibbotson, Peter Collinson, B.A.; A.C.A., 1959; 19 Albany Road, Blackburn.
Ince, Noel James; A.C.A., 1959; 57 Horne Street, Bury, Lancs.
Indaravijaya, Sangvian, B.A.; A.C.A., 1959; School of Commerce and Accountancy, University of Thammasat, Bangkok, Thailand.
Ingleton, Anthony Harold; A.C.A., 1959; 55 Sutton Road, Mansfield, Notts.
Ingram, William Robert; A.C.A., 1959; 10 Marline Avenue, Hollington, St Leonards-on-Sea.
Ioannides, Athanasios Ioannou; A.C.A., 1959; 12 Lytra Street, Constantia, Nicosia, Cyprus.
Irwin, Harry Alexander, M.A.; A.C.A., 1959; 63 Esher Road, Fairfield, Liverpool, 6.

Jarvis, George Baldwin; A.C.A., 1959; Padley, Raleigh Drive, Claygate, Surrey.
Jackson, Peter Barrie, B.COM.; A.C.A., 1959; 1 Carrwood Avenue, Bramhall, Cheshire.
Jarrett, Kenneth Richard; A.C.A., 1959; 85 Red Lion Lane, Shooters Hill, London, SE18.
Jay, Peter Arnold; A.C.A., 1959; 31 Bethume Road, London, N16.
Jeffroy, Keith Douglas; A.C.A., 1959; 44 Gratwicke Road, Worthing, Sussex.
Jelley, Norman George; A.C.A., 1959; 26 Rowley Fields Avenue, Leicester.
Jenkins, Brian Stuart; A.C.A., 1959; Elmfield, Christleton, near Chester.
Jenkins, John Michael; A.C.A., 1959; 60 Silverdale Road, Newcastle, Staffs.
Jenks, Richard John Peter; A.C.A., 1959; 8 Connaught Place, London, W2.
Jennings, Stanley Wilfred; A.C.A., 1959; 63 St. Gerards Road, Solihull, Warwicks.
Jinks, Alan Michael; A.C.A., 1959; 127 Davenport Road, Leicester.
Johns, David Rees; A.C.A., 1959; 10 Oak Crescent, Leeds, 15.
Johnson, Brian Keyworth; A.C.A., 1959; Wood End, Langland, Swansea.
Johnson, Colin Stuart; A.C.A., 1959; 2A Grenoble Gardens, Palmers Green, London, N13.
Johnson, David Richard; A.C.A., 1959; 38 Church Way, Sanderstead, Surrey.
Johnson, Donald; A.C.A., 1959; 14 Springfield Road, Bigrigg, Egremont, Cumberland.
Johnson, Michael Henry Trevor; A.C.A., 1959; 14 Priest Acre, Fyfield, Marlborough, Wilts.
Johnson, Richard Henry; A.C.A., 1959; with Larking & Larking, 9 Red Lion Street, Norwich.
Jolly, David Anderton; A.C.A., 1959; 10 Broomhill Walk, Woodford Green, Essex.
Jones, Colin Alan; A.C.A., 1959; 55 Barnfield Road, West, Adswood, Stockport.
Jones, John Thomas Leighton, B.A.; A.C.A., 1959; 16 Edward Street, Alltwen, Pontardawe, Swansea.
Jones, Richard Alan; A.C.A., 1959; 50 Heath Avenue, Southlowe, Cellarhead, Stoke-on-Trent.
Jones, Stanley William; A.C.A., 1959; 139 St. David's Crescent, Penarth, Glam.
§Jones, Terence Oliver; A.S.A.A., 1959; P.O. Box R.W.74, Ridgeway, Lusaka, Northern Rhodesia.
Jordan, Peter Frederick; A.C.A., 1959; 26 Ongar Road, London, SW6.
Joseph, Ramon; A.C.A., 1959; 90 White Horse Lane, London, E1.
Joslin, Raymond Edwin Bird; A.C.A., 1959; 12 Stoke Hill, Exeter, Devon.
Jude, Joseph Harold; A.C.A., 1959; 61 Hadrian Road, Newcastle upon Tyne, 4.
Jusu-Sheriff, Salia, B.COM.; A.C.A., 1959; c/o Sierra Leone Office, 29 Weymouth Street, London, W1.

Keeling, Malcolm Graham; A.C.A., 1959; 3 Clough Avenue, Woodheys, Sale, Cheshire.
Keene, Raymond; A.C.A., 1959; 21 Mildenhall Road, London, E5.
Keffler, Paul John Leon George; A.C.A., 1959; 11 Ambleside Road, Allerton, Liverpool, 18.
Kelly, George Bryan; A.C.A., 1959; with John A. Porter & Co, 9 Oxford Street, Manchester, 1.
Kennedy, Clive John; A.C.A., 1959; 313 Ombersley Road, Worcester.
Kenwright, Terence; A.C.A., 1959; 6 Tynwald Place, Liverpool, 13.
Kermode, Harold William, B.SC.; A.C.A., 1959; 1A Manor Road, Christchurch, Hants.
King, Peter Douglas; A.C.A., 1959; 22 Felbridge Close, East Grinstead, Sussex.
Kings, Clement George; A.C.A., 1959; Clynton View, Station Lane, Lapworth Solihull, Warwicks.
Kirk, Kenneth Stanley; A.C.A., 1959; 658A Mansfield Road, Sherwood, Nottingham.
Kirkham, Frank David; A.C.A., 1959; 14 Sandygate Park Road, Sheffield, 10.
Kirkman, David John, B.A.; A.C.A., 1959; with Kirkman, Manning & Kay, 103–109, Queen Street, Sheffield, 1.
Kirkman, Geoffrey; A.C.A., 1959; 18 Uplands Avenue, Radcliffe, Lancs.
Knott, Roger Alan, B.A.(COM.); A.C.A., 1959; 562 Bolton Road, Bury, Lancs.
Kowalski, Jerzy Zenon, B.COM.; A.C.A., 1959; 146 Sinclair Road, London, W14.

Ladds, Colin Sharland; A.C.A., 1959; 8 Verulam Avenue, Purley, Surrey.
Laing, David; A.C.A., 1959; The Manor House, Gate Helmsley, York.
Lakin Ronald John; A.C.A., 1959; 47 Lynwood Drive, Collier Row, Romford, Essex.
Lamb, James William; A.C.A., 1959; 'Mallard Croft', Bywell Road, Cleadon Village, near Sunderland.
Lambert, John Ewart; A.C.A., 1959; 7 Sedgley Grove, Handsworth Wood, Birmingham, 20.
Lambert, Michael Anthony; A.C.A., 1959; Chorley Cottage, Haddon Road, Chorleywood, Herts.
Lamusse, Marie Joseph Raymond; A.C.A., 1959; with Kemp, Chatteris & Co, St. Swithin's House, Walbrook, London, EC4.
Lander, Roger Francis; A.C.A., 1959; 46 Lower Somercotes, Derbyshire.
Laud, (Miss) Janet Ruth; A.C.A., 1959; 142 Station Road, Wylde Green, Sutton Coldfield, Warwicks.
Laver, Alan Edward; A.C.A., 1959; 44 Elmbridge Drive, Ruislip, Middx.
Lee, Brian Ernest; A.C.A., 1959; 203 Littleton Road, Lower Kersal, Salford, 7.
Lees, Robert; A.C.A., 1959; 90 Burton Road, Melton Mowbray, Leics.
Leigh, John Raymond; A.C.A., 1959; 24 Hillcrest Gardens, Finchley, London, N3.
Le Neve Foster, Patrick Vivian, B.A.; A.C.A., 1959; Farlands, Nightingales Lane, Chalfont St Giles, Bucks.
Lewis, David Rodney; A.C.A., 1959; 'Cintra', Otley Road, Bramhope, Leeds.
Lewis, Edward Thomas; A.C.A., 1959; with Mellors, Basden & Co, 73 Basinghall Street, London, EC2.

Lewis, Paul Scott; A.C.A., 1959; 23 Lougher Gardens, Porthcawl, Glamorgan.
Lewis, Vivian Wheaton, B.A.; A.C.A., 1959; Rhondda House, Hopkinstown, Pontypridd, Glam.
Littley, Eugene Frederick; A.C.A., 1959; 10 Sidmouth Road, Colyton, Devon.
Livingston, Ivor Hilary; A.C.A., 1959; 1 Eller Close, North Lane, Leeds, 8.
Loder, (Miss) Jean Alice; A.C.A., 1959; 118 Fortune Green Road, West Hampstead, London, NW6.
Lonmon-Davis, Anthony Michael David; A.C.A., 1959; 12 York House, Upper Montagu Street, London, W1.
Loochin, Ivor Bernard; A.C.A., 1959; 75 Grosvenor Road, Finchley, London, N3.
Lovejoy, Paul; A.C.A., 1959; 20 Wolves Lane, Palmers Green, London, N13.
Lovell-Mansbridge, Brian Geoffrey; A.C.A., 1959; 148 Devonshire Road, Mill Hill, London, NW7.
Lovis, Eric Walter; A.C.A., 1959; 22 Glenfield Road, Banstead, Surrey.
Low, Geoffrey Hadden; A.C.A., 1959; with R. J. Brooks & Co, 7 Moorfields, Liverpool, 2.
Lowe, Anthony Desmond; A.C.A., 1959; 62 Ashburton Road, Addiscombe, Croydon, Surrey.
Lowthian, Joseph Edward; A.C.A., 1959; Post Office, Pooley Bridge, Penrith, Cumberland.
Lumb, Charles David; A.C.A., 1959; 315 Soothill Lane, Batley, Yorks.
Lumley, Donald Arthur; A.C.A., 1959; 70 Westbourne Road, Linthorpe, Middlesbrough.
Lunt, Michael John Winstanley, M.A.; A.C.A., 1959; 19 The Little Boltons, London, SW10.
Lunt, Peter Cowley Winstanley; A.C.A., 1959; 'Little Mead', Thurlaston, near Rugby.

McCarthy, Brian James; A.C.A., 1959; 4 Martyn Court, Spur Road, Edgware, Middx.
McCullagh, John Coltman; A.C.A., 1959; Ballintoy, Rockfield Road, Oxted, Surrey.
McGibbon, Lewis; A.C.A., 1959; 7 Milton Street, Northampton.
Mackenzie, John Duncan; A.C.A., 1959; 15 Manor Road, Cheam, Surrey.
McManus, Michael Anthony; A.C.A., 1959; 42 Knowsley Road, St Helens, Lancs.
McNay, Barrie; A.C.A., 1959; 8 Rosslyn Road, Manchester, 16.
McNish, Ivor; A.C.A., 1959; 'Hartington', Forest Lane, Papplewick, Notts.
Madge, Peter John; A.C.A., 1959; 15 Haydon Park Road, Wimbledon, London, SW19.
Major, Ronald George; A.C.A., 1959; 63 Austin Street, Bulwell, Nottingham.
Malyon, John Stuart; A.C.A., 1959; 142 Knightwood Crescent, New Malden, Surrey.
Mankin, Robert Michael; A.C.A., 1959; 58 Eversleigh Road, Coundon, Coventry.
Marks, Milton Maurice; A.C.A., 1959; 124 Evering Road, London, N16.
Marshall, Thomas William; A.C.A., 1959; 64 Taymount Grange, Taymount Rise, Forest Hill, London, SE23.
Marston, Brian; A.C.A., 1959; 31 Hopefield Avenue, Frecheville, Sheffield, 12.
Martin, Keith Andrew Grierson; A.C.A., 1959; 71 Manor Road South, Hinchley Wood, Esher, Surrey.
Martin, Peter Reginald; A.C.A., 1959; Melbourn House, 24 Gunnersbury Avenue, Ealing, London, W5.
Martins, Jacob Stanislaus; A.C.A., 1959; 11 Hamilton Close, Cockfosters, Herts.
Mascarenhas, Cahen Kenneth; A.C.A., 1959; 1A Redbridge Lane West, Wanstead, London, E11.
Masterson, Peter Thomas; A.C.A., 1959; 19 Hall Drive, Alkrington, Middleton, Manchester.
Mather, James Selvanathan, B.SC.(ECON.); A.C.A., 1959; c/o Central Bank of Ceylon, P.O. Box 590, Colombo 1, Ceylon.
Matthews, David Edward; A.C.A., 1959; 4 Brecon Road, Newport, Mon.
Mauler, Harold Ernest William; A.C.A., 1959; 'Crown Inn', Inchbrook, near Stroud, Glos.
Mawson, Henry James; A.C.A., 1959; 3 Danescourt Road, West Derby, Liverpool, 12.
Mayfield, Antony Miles Westlake; A.C.A., 1959; West Hill Cottage, Woodfield Lane, Hessle, Yorks.
Mendelssohn, Ronald Guy; A.C.A., 1959; 9 Woodbourne Road, Edgbaston, Birmingham, 15.
Mercer, Michael John; A.C.A., 1959; 'Craig Dhu', Tewin, Welwyn, Herts.
Meredith, Keith Thomas; A.C.A., 1959; 25 Ladysmith Road, Gloucester.
Mian, Muhammad Khalil; A.C.A., 1959; 56 Erskine Hill, London, NW11.
Miller, Raymond Ashton; A.C.A., 1959; 13 Fairfield Road, Croydon, Surrey.
Milligan, David Quoys; A.C.A., 1959; 25 Westfield Way, Ruislip, Middx.
Milsom, Anthony Richard; A.C.A., 1959; 99 Winchester Avenue, Leicester.
Mitchell, Brian Harold; A.C.A., 1959; 14 Vicars Hill, Ladywell, London, SE13.
Mitchell, John Edward; A.C.A., 1959; Flat 8, 9 Oaklands Road, Bromley, Kent.
Moor, Michael Frederick; A.C.A., 1959; 68 Crowlands Avenue, London Road, Romford, Essex.
Moore, Raymond; A.C.A., 1959; 20 Croft Road, Cosby, near Leicester.
Moppett, John Stanley; A.C.A., 1959; 9 Bridge Road, East Molesey, Surrey.
Morphew, John Bernard; A.C.A., 1959; Flat 6, Stafford House, Churchfields, Broxbourne, Herts.
Morris Brian; A.C.A., 1959; 59 Brent Street, Hendon, London, NW4.
Morris, John Risk; A.C.A., 1959; Broomhill, Hayling Island, Hants.
Morris-Jones, David Trevor; A.C.A., 1959; Brook House, Cann Lane, Appleton, Cheshire.
§Mortimer, Dennis Charles; A.S.A.A., 1959; 31 Castle Drive, Berwick-upon-Tweed, Northumberland.
Mouncey, Keith; A.C.A., 1959; 11 Elm Avenue, Goole, Yorks.
Mount, Raymond; A.C.A., 1959; 6 Firbank Road, Ridge Estate, Lancaster, Lancs.
Mulvihill, Peter; A.C.A., 1959; 118 Segars Lane, Ainsdale, Southport, Lancs.

Nelson, Frank Thornton; A.C.A., 1959; 53 Ainderby Road, Romanby, Northallerton, Yorks.
Newman, Harold Maurice; A.C.A., 1959; 109 Wolmer Gardens, Edgware, Middx.
Newton, John Alan; A.C.A., 1959; c/o H. J. Newton, 139A High Street, Epsom, Surrey.
Ng, Wing Keung, B.SC.; A.C.A., 1959; with Brown, Phillips & Stewart, Hong Kong Bank Chambers, P.O. Box 30, Ipoh, Malaya.
Nicholls-Pratt, Ronald Edwards; A.C.A., 1959; 44 Long Lane, Hillingdon, Middx.
Nichols, Brian Edward; A.C.A., 1959; 33 Blackhorse Lane, Stoneycroft, Liverpool 13.
Nicholson, Peter Clive; A.C.A., 1959; 71 Wilson Street, Anlaby, near Hull.
Nickell, Paul Hilary; A.C.A., 1959; 16 Elmcroft Crescent, North Harrow, Middx.
§Norman, Arthur Clifford; A.S.A.A., 1959; 38 Fairbank Crescent, Sherwood, Nottingham.
Norman, Peter John; A.C.A., 1959; 28 Herschell Street, Leicester.
Novy, Vaclav Jan, B.SC.(ECON.); A.C.A., 1959; 195 Blenheim Street, Hull, Yorks.

O'Brien, Douglas Graham; A.C.A., 1959; 11 Frome Terrace, Bath Road, Stroud, Glos.
Overend, John; A.C.A., 1959; 20 Whitfield Street, Higher Tranmere, Birkenhead.

Owen, Colin Anthony, B.A.; A.C.A., 1959; 7 Brockley Walk, Bedminster Down, Bristol, 3.
Owens, John Robert; A.C.A., 1959; 8 Brookfield Avenue, Crosby, Liverpool, 23.
Oxley, Roland Francis; A.C.A., 1959; 6A Garlinge Road, Southborough, Tunbridge Wells, Kent.
Painter, Richard Abbott, O.B.E.; A.C.A., 1959; Primrose Cottage, Lee Mount, Halifax.
Pakshong, Michael, B.A.; A.C.A., 1959; 38 Bay Terrace, Durban, Natal, S. Africa.
Panton, Anthony Russell; A.C.A., 1959; 369 London Road, Leicester.
Pardoe, John Richardson; A.C.A., 1959; 69 Cot Lane, Wordsley, Stourbridge.
Parkinson, Kenneth; A.C.A., 1959; 6A Linden Crescent, Darwen, Lancs.
Parrish, James; A.C.A., 1959; 8 Turner Place, Great Horton, Bradford, Yorks.
Partridge, William Francis; A.C.A., 1959; 6 Clayworth Road, Brunton Park, Newcastle upon Tyne, 3.
Parvin, Donald; A.C.A., 1959; 19 Surrenden Crescent, Brighton, 6.
Patt, Alexander Laurence; A.C.A., 1959; with C. Neville Russell & Co, Poultry Chambers, 11 Poultry, London, EC2.
Pearce, Albert Henry; A.C.A., 1959; 3 Furzedown Terrace, The Downs, West Looe, Cornwall.
Pearson, Peter David; A.C.A., 1959; with Crew, Turnbull & Co, 4 Dove Court, Old Jewry, London, EC2.
Pelling, Melvin Keith; A.C.A., 1959; 194A Queenstown Road, South Lambeth, London, SW8.
Pentin, David John; A.C.A., 1959; Mayfield, Hackington Close, Canterbury.
Penwarden, David Rees; A.C.A., 1959; Golf View, Sparepenny Lane, Eynsford, Kent.
Perkins, John Newitt; A.C.A., 1959; 6 Greenfield Road, Northampton.
Peters, Ian Donald; A.C.A., 1959; 39 New Hall Lane, Bolton, Lancs.
Phillips, John Wilson, B.A.; A.C.A., 1959; 22 Church Road, Whitchurch, Glamorgan.
Phillips, Thomas Morgan, B.SC.(ECON.); A.C.A., 1959; 1 Jubilee Road, Six Bells, Abertillery, Mon.
Phillipson, Lawrence Stanley; A.C.A., 1959; 'Conifers', Rockfield Road, Oxted, Surrey.
Phipps, Graham Miles; A.C.A., 1959; 'Lyndhurst', Llantrisant Road, Llandaff, Cardiff.
Pierce, Barry John; A.C.A., 1959; 58 Dyas Road, Great Barr, Birmingham, 22A.
Pilcher, Anthony Julian; A.C.A., 1959; 'Kinburn', Rocky Lane, Heswall, Cheshire.
Platt, Geoffrey Brian; A.C.A., 1959; 13 Talbot Avenue, Roundhay, Leeds, 8.
Platt, Ronald; A.C.A., 1959; 17 Grosvenor Road, Birkdale, Southport.
Porter, Colin Ernest; A.C.A., 1959; 'Ashford', Llewelyn Avenue, Neath, Glamorgan.
Portman, Frank; A.C.A., 1959; 120 Cumberland Street, Latchford, Warrington, Lancs.
Powell, Haydn Mozart; A.C.A., 1959; with Peat, Marwick, Mitchell & Co, Pearl Insurance House, The Kingsway, Swansea.
Power, James Francis, B.A.; A.C.A., 1959; 16 Laburnum Road, Epsom, Surrey.
Powrie, David; A.C.A., 1959; 62 Marlborough Road, Ashford, Middx.
Prescott, Alexander John; A.C.A., 1959; 'Briandene', Hugh Barn Lane, New Longton, Preston.
Price, Michael Walwyn; A.C.A., 1959; Bonnington, Beckett Road, Worcester.
Price, Thomas Albert; A.C.A., 1959; 78 Jubilee Road, Waterlooville, Hants.
Pullan, John Martin; A.C.A., 1959; 26 Neville Court, St Johns Wood, London, NW8.
Quest, Anthony Mayer; A.C.A., 1959; 77 Mexborough Avenue, Leeds, 7.
Quinnel, Timon David Dixson; A.C.A., 1959; St Margarets, Beacon Hill, Purfleet, Essex.
Rackett, Desmond Edward; A.C.A., 1959; 21 The Hermitage, Richmond, Surrey.
Ralph, Gordon Wyndham; A.C.A., 1959; 43 Linden Close, New Haw, Weybridge, Surrey.
Randles, David Harold; A.C.A., 1959; 7 Albert Street, Hightown, Wrexham, N. Wales.
Rann, James; A.C.A., 1959; 47 Shide Road, Newport, Isle of Wight.
Ray, Graham Howard, B.COM.; A.C.A., 1959; 37 Essex Avenue, Kingswinford, Brierley Hill, Staffs.
Read, Robert John Lythgoe; A.C.A., 1959; Hawthorn, Longfield Avenue, New Barn, Longfield, Kent.
Redmond, Geoffrey John; A.C.A., 1959; 12 Cecil Avenue, Sale, Cheshire.
Rhodes, Anthony Joseph Morgan; A.C.A., 1959; Robin Hill, Billing Drive, Rawdon, near Leeds.
Rickards, Anthony Peter; A.C.A., 1959; 14 Hightrees House, Nightingale Lane, London, SW12.
Rigby, Brian Keith, B.A.(COM.); A.C.A., 1959; 70 Hallfields Road, Orford, Warrington.
Roberts, Brian John; A.C.A., 1959; 37 Middle Park Road, Selly Oak, Birmingham, 29.
Roberts, Keith Nicholson; A.C.A., 1959; with Warmsley, Henshall & Co, 29 Eastgate Row North, Chester.
Roberts, Steven Harrison, B.A.(ECON.); A.C.A., 1959; Flat 1, 168 Willesden Lane, London, NW6.
Robinson, David Foster, B.A.(COM.); A.C.A., 1959; Hurstfold, Chinthurst Lane, Shalford, Guildford, Surrey.
Robson, Alan George; A.C.A., 1959; 198 Trundley's Road, Deptford, London, SE8.
Rogan, Patrick; A.C.A., 1959; 9 Porlock Avenue, Harrow, Middx.
Rogers, John Murray; A.C.A., 1959; 32 Fallowfield Avenue, Hall Green, Birmingham, 28.
Roscoe, Jack; A.C.A., 1959; 75 Tudor Street, Oldham, Lancs.
Rose, John David Lewis; A.C.A., 1959; 8 Louvian Road, Derby.
Rose, Keith Martin; A.C.A., 1959; 156 Sandon Road, Stafford.
Routledge, Eric; A.C.A., 1959; 1 Belle Vue, Medomsley Edge, Consett, Co. Durham.
Routledge, Howard; A.C.A., 1959; 70 Burleigh Street, Whitworth Park, Manchester, 15.
Rowe, Andrew Sutherland; A.C.A., 1959; 13 Hillside Avenue, Bromley Cross, Bolton.
Rubner, Peter Ernest; A.C.A., 1959; 25C Arkwright Road, Hampstead, London, NW3.
Rumins, John Sandford, B.A.; A.C.A., 1959; 293 London Road, Isleworth, Middx.
Russell, Michael Wilford; A.C.A., 1959; with Andw. W. Barr & Co, 9 Clarges Street, London, W1.
Russell, Patrick John; A.C.A., 1959; Ulster House, Green Lane, Northwood, Middx.
Rutter, Paul Edward; A.C.A., 1959; 133A Fog Lane, Didsbury, Manchester, 20.
Ryan, Terence Dudley, B.A.(ECON.); A.C.A., 1959; 128 Church Hill Road, East Barnet, Herts.
Ryley, Clive Bernard; A.C.A., 1959; 56 Gillhurst Road, Harborne, Birmingham, 17.
Sadler, Edward Victor; A.C.A., 1959; 19 Innage Road, Northfield, Birmingham, 31.
Sales, John Arthur; A.C.A., 1959; 104 Springfield Avenue, Merton Park, London, SW20.
Sanders, Stuart Francis; A.C.A., 1959; 8 Garrison Court, Hollow Lane, Hitchin, Herts.
Sandland, John; A.C.A., 1959; 26 Regent Road, Edgerton, Huddersfield, Yorks.
Saunders, John David, B.A.; A.C.A., 1959; Whiteholme, Meols Drive, Hoylake, Cheshire.
Sawers, Robert Keith; A.C.A., 1959; Pound Corner Cottage, Haslemere, Surrey.
Sayer, Charles Edward Vivian; A.C.A., 1959; 4 Worcester Gardens, Sutton, Surrey.

Schrieber, Stanley; A.C.A., 1959; 19 Westminster Drive, Palmers Green, London, N13.
Scott, Alan Leslie; A.C.A., 1959; 10 Hillside Grove, Mill Hill, London, NW7.
Scott, Ralph Scollick; A.C.A., 1959; 672 Beverley High Road, Hull.
Scott, Walter Michael, B.A.; A.C.A., 1959; 363 Filton Avenue, Horfield, Bristol, 7.
Scottis, Gabriel George; A.C.A., 1959; 1 Kensington Gardens Square, Bayswater, London, W2.
Scourfield, Bryn James, B.A.; A.C.A., 1959; 26 Bridgwater Road, St Mellons Rise, Llanrumney, Cardiff.
Scrafton, Derek; A.C.A., 1959; 'Paderova', Arkwright Road, Sanderstead, Surrey.
Scriven, John Geoffrey; A.C.A., 1959; with Davie Parsons & Co, 6 Bishopsgate, London, EC2.
Sears, Roy Stanley, B.COM.; A.C.A., 1959; 30 The Avenue, Surbiton, Surrey.
Seaward, Alan Rex; A.C.A., 1959; 143 Norbury Crescent, Norbury, London, SW16.
Sellwood, David John; A.C.A., 1959; 24 The Grange, Shirley, Croydon, Surrey.
Seymour, Gilbert Bedford, B.SC.; A.C.A., 1959; 31 Chigwell Park Drive, Chigwell, Essex.
Shankardass, Yoginder Kumar; A.C.A., 1959; 85 Parliament Hill Mansions, Lissenden Gardens, London, NW5.
Sharp, Edward James Kingsley; A.C.A., 1959; 245 Hollinsend Road, Sheffield, 12.
Shaw, Anthony Vause; A.C.A., 1959; 54 Abingdon Road, Bramhall Lane, Bramhall, Cheshire.
Shaw, Vee Fong, B.SC.; A.C.A., 1959; 2 Claremont Court, Queensway, London,W2.
Shears, Frederick Charles Phiphard; A.C.A., 1959; 8 Kew Bridge Court, Chiswick, London, W4.
Sheasby, John Michael; A.C.A., 1959; 23 College Avenue, Maidenhead, Berks.
Shelley, Andrew Colin; A.C.A., 1959; 10 Old Court Road, Springfield, Chelmsford Essex.
Shenoy, John Kumar, B.A.; A.C.A., 1959; Langorf Hotel, 20 Frognal, Hampstead, London, NW3.
Sibley, John Harry; A.C.A., 1959; 'Woodrow', Edgehill Road, Walton-St-Mary, Clevedon, Somerset.
Simmons, Malcolm; A.C.A., 1959; 2 Ryon Hill, Warwick Road, Stratford-on-Avon.
Simpson, Maurice Clifford; A.C.A., 1959; 4 Ferrestone Road, Wellingborough.
Slader, Kenneth William; A.C.A., 1959; 12 Alexandra Terrace, South Molton, N. Devon.
Slater, Norman Higson; A.C.A., 1959; 209 Bacup Road, Cloughfold, Rossendale.
Sly, John Richard; A.C.A., 1959; Flat D, Fairlawn, Fairmile Lane, Cobham, Surrey.
Smart, Philip Martyn; A.C.A., 1959; 122 Gnoll Park Road, Neath, Glam.
Smith, Alan; A.C.A., 1959; 93 Upper Road, Kennington, Oxford.
Smith, Arthur Russell; A.C.A., 1959; 286 Saddleworth Road, Greetland, near Halifax, Yorks.
Smith, Barrie Richard; A.C.A., 1959; 13 Thornton Grove, Armley, Leeds, 12.
Smith, Brian Eric; A.C.A., 1959; 32F Weighton Road, Anerley, London, SE20.
Smith, Derek Arthur; A.C.A., 1959; 19 Manor Road, Swinton, near Manchester.
Smith, Steven, B.COM.; A.C.A., 1959; 71 Green Lane, Wyke, Bradford.
Smith, William John Akeroyd; A.C.A., 1959; Brackenshill, Gledhow Lane, Leeds 8.
Smyth, Gerard Evelyn Raymond; A.C.A., 1959; 46 Princes Square, Bayswater, London, W2.
Spencer, John Herbert; A.C.A., 1959; 99 Church Road, Litherland, Liverpool, 21.
Sperry, Roy Edward; A.C.A., 1959; Highleys, Dalby Avenue, Bushby, Leics.
Spittle, Harvey; A.C.A., 1959; 3 Lilac Grove, Redcar, Yorks.
Spottiswood, James Arthur; A.C.A., 1959; 37 Ashurst Drive, Blackbrook, St Helens, Lancs.
Squires, Peter John; A.C.A., 1959; 75 Long Lane, Finchley, London, N3.
Srivichit, Thienchai; A.C.A., 1959; 271 New Road, Bangkok, Thailand.
Stacey, Michael John; A.C.A., 1959; Lupton's Tower, Eton College, Windsor, Berks.
Stacey, Terence John; A.C.A., 1959; 61 Peppard Road, Caversham, Reading.
Stagg, Denis; A.C.A., 1959; 24 Nairn Street, Crookes, Sheffield, 10.
Stephen, Ian George; A.C.A., 1959; 15 Wolveleigh Terrace, Gosforth, Newcastle upon Tyne, 3.
Stewart, James Roy; A.C.A., 1959; 425 Bowes Road, New Southgate, London, N11.
Stiles, John Stuart; A.C.A., 1959; 14 Spring Court Road, Enfield, Middx.
Stone, John Gordon; A.C.A., 1959; 23 Southcroft Avenue, West Wickham, Kent.
Stone, Peter Denis; A.C.A., 1959; 149 Strovden Road, Winton, Bournemouth.
Stopford Sackville, Lionel Geoffrey; A.C.A., 1959; Drayton House, Lowick, Kettering, Northants.
Stribling, David Michael; A.C.A., 1959; 29 Church Street, Modbury, near Ivybridge, South Devon.
Stubbins, Thomas; A.C.A., 1959; 21 Lonsdale Street, Anlaby Road, Hull.
Styles, David Edward John; A.C.A., 1959; 56 Rogers Lane, Stoke Poges, Bucks.
Sunley, John Edward; A.C.A., 1959; 43 Ash Grove, Bush Hill Park, Enfield, Middx.
Swales, David John; A.C.A., 1959; with Howlett Jones, Higgins & Co, 4 Stone Buildings, Lincoln's Inn, London, WC2.

Tanner, Edward Ismar; A.C.A., 1959; 2 The Croft, Hoop Lane, London, NW11.
Tapparo, Denis Giovanni; A.C.A., 1959; 26 Weymoor Road, Harborne, Birmingham, 17.
Taylor, Brian; A.C.A., 1959; 10 Shortland Crescent, Burnage, Manchester, 19.
Taylor, Paul Duncan; A.C.A., 1959; Elmwood House, Upper Batley, Batley, Yorks.
Teale, Clifford Norman; A.C.A., 1959; 95 Stafford Road, Southport, Lancs.
Thomas, Brian; A.C.A., 1959; 39 Lesbury Road, Heaton, Newcastle upon Tyne, 6.
Thomas, Desmond John; A.C.A., 1959; 125 Robin Hood Way, Kingston Vale, London, SW15.
Thomas, Lawrence Barry; A.C.A., 1959; 'Tregwynt', St Nicholas, Cardiff.
Thomas, Mark Lawton; A.C.A., 1959; 51 Spareleaze Hill, Loughton, Essex.
Thomas, Terence James Coyne; A.C.A., 1959; 16 Ynysymaerdy Road, Briton Ferry, Glamorgan.
Thomas, William Stuart; A.C.A., 1959; 'Flat B', Dovedale, Blundellsands Road, East, Liverpool, 23.
Thompson, Graham; A.C.A., 1959; 105 Brookdale Road, Nuneaton, Warwicks.
Thompson, James Lawton; A.C.A., 1959; 6 Caernarvon Road, Up Hatherley, Cheltenham, Glos.
Thompson, John; A.C.A., 1959; 71 Willows Lane, Accrington, Lancs.
Thorley, Ronald; A.C.A., 1959; 12 Donnington Avenue, Cheadle, Cheshire.
Thorn, Rex Stuart; A.C.A., 1959; 183 Ridge Road, Sutton, Surrey.
Thorp, Brian Rigby, B.A.(COM.); A.C.A., 1959; Flat No. 3, 79B Northenden Road, Sale, Cheshire.
Thorpe, David Rodney; A.C.A., 1959; 16 South Street, Ilkeston, Derbyshire.
Threlfall, John Peter; A.C.A., 1959; 108 Valley Drive, Ben-Rhydding, Ilkley, Yorks.
Thurgood, Douglas Ceal; A.C.A., 1959; 20 Woodridings Close, Hatch End, Pinner, Middx.

Tiffen, Ronald John; A.C.A., 1959; 44 Falcon Lodge Crescent, Walmley, Sutton Coldfield, Warwicks.
Tildesley, John Michael; A.C.A., 1959; 37 Osborn Road, Barton-le-Cley, Beds.
Timms, Jeffrey William; A.C.A., 1959; 1 Parkside Gardens, Wollaton Vale, Beeston, Notts.
Tiplady, William; A.C.A., 1959; 72 Palatine Drive, Walmersley, Bury, Lancs.
Titheradge, David Edward Hettrel; A.C.A., 1959; 19 Rectory Road, Walthamstow, London, E17.
Togwell, William; A.C.A., 1959; 12 Finney Drive, Finney Green, Wilmslow, Cheshire.
Tollinton, Henry Desmond; A.C.A., 1959; Fen Cottage, Turners Hill, Sussex.
Tompsett, Michael John; A.C.A., 1959; 59 Kingsmead Avenue, Worcester Park, Surrey.
Towler, Roy Sydney; A.C.A., 1959; 'Llanlow', Walton Road, Wisbech, Cambs.
Trepte, Paul Norman; A.C.A., 1959; 267 Latymer Court, Hammersmith Road, London, W6.
Trevor, Michael; A.C.A., 1959; 62 North End Road, London, NW11.
Truelove, Edward George; A.C.A., 1959; 31 Brooksbank House, Morning Lane, Hackney, London, E9.
Truelove, William Charles; A.C.A., 1959; 60 Fairlop Road, Barkingside, Ilford, Essex.
Tuke, Geoffrey; A.C.A., 1959; 100 Wharncliffe Drive, Eccleshill, Bradford, 2, Yorks.
Tun, Maung Tin; A.C.A., 1959; 53 Princes Square, London, W2.
Turner, Justin, B.A.; A.C.A., 1959; 42 Shirehall Lane, Hendon, London, NW4.
Tyabji, Faiz Salman Badruddin, B.SC.(ECON.); A.C.A., 1959; Flat No. 2, 24 St Edmund's Terrace, London, NW8.

Ufland, David Leslie; A.C.A., 1959; 33 Hurstwood Road, Temple Fortune, London, NW11.
Unwin, Thomas James; A.C.A., 1959; 31 Howard Place, Westlands, Newcastle, Staffs.
Usher, Roger John; A.C.A., 1959; New Gregorys, Beaconsfield, Bucks.
Utting, Frederick Charles; A.C.A., 1959; 85 Church Road, Llanstadwell, Milford Haven.

Vallis, Roger Frederick; A.C.A., 1959; The Red Lion, Stoke Green, Slough, Bucks.
Varcoe, Brian Richard; A.C.A., 1959; 18 Crowndale Road, Knowle, Bristol, 4.
Vigor, Norman John; A.C.A., 1959; 18 Parklands Road, Streatham, London, SW16.
Vivian, George Trevor; A.C.A., 1959; Digswell Vale, Welwyn, Herts.

Waddington, Roy; A.C.A., 1959; 20 Oak Street, Burnley, Lancs.
Waite, William Thomas; A.C.A., 1959; with Keens, Shay, Keens & Co, Bilbao House, New Broad Street, London, EC2.
Walford, Robert Allen; A.C.A., 1959; Dolwerdd, Radcliffe Road, Criccieth, Caerns.
Waller, John Donald; A.C.A., 1959; 34 Park Avenue, Orpington, Kent.
Ward, Elliott; A.C.A., 1959; 23 Bolbec Road, Fenham, Newcastle upon Tyne, 4.
Wardle, John; A.C.A., 1959; 25 Sudbury Avenue, Ilkeston, Derbyshire.
Waring, Richard Denton; A.C.A., 1959; 61 Avonmore Road, London, W14.
Watch, Cecil; A.C.A., 1959; 21 Belhaven Road, Higher Crumpsall, Manchester, 8.
Watering, Dale Francis; A.C.A., 1959; 223 Corbets Tey Road, Upminster, Essex.
Waters, Geoffrey Nigel; A.C.A., 1959; 77 Meadway, London, NW11.
Watson, John David; A.C.A., 1959; 5 Maperley Park Drive, Mapperley Park, Nottingham.
Weare, Bernard John; A.C.A., 1959; 30 Heol Powis, Birchgrove, Cardiff.
West, David Frederick, B.A.(COM.); A.C.A., 1959; 'Oaklands', Burgh Lane, Chorley, Lancs.
Westwood, Andrew Oakley; A.C.A., 1959; 89 Fountain Road, Edgbaston, Birmingham, 17.
Whatman, Alan Clement; A.C.A., 1959; 10 Somerset Road, Tunbridge Wells, Kent.
Wheeler, Arthur Edward Clifford, D.F.C.; A.C.A., 1959; 96 Northey Avenue, Cheam, Surrey.
White, David York; A.C.A., 1959; 22 Willett Way, Petts Wood, Orpington, Kent.
White, George William Albert, D.F.C.; A.C.A., 1959; 15 Stubbington Avenue, North End, Portsmouth.
Whitehouse, Paul Wilson; A.C.A. ,1959; 37 Finchfield Road, Wolverhampton.
Whitmore, Anthony Brian Radleigh; A.C.A., 1959; 101 Woodbridge Road East, Ipswich, Suffolk.
Whitson, Rowland John; A.C.A., 1959; Star Beech, Drybrook, Glos.
Wick, Ian Stuart; A.C.A., 1959; 13 Florence Drive, Enfield, Middx.
Wike, Brian; A.C.A., 1959; 64 Hunts Cross Avenue, Woolton, Liverpool.
Wild, Charles Barrie; A.C.A., 1959; 49 St Leonards Lea, Barnsley Road Estate, Scawsby, Doncaster.
Williams, Brian John; A.C.A., 1959; 4 River Bank, East Molesey, Surrey.
Williams, David Hallett; A.C.A., 1959; 6 St Swithun's Court, Bridport, Dorset.
Williams, George Thomas; A.C.A., 1959; 44 Rennel Road, Highfield, Liverpool, 14.
Williams, Graham Thomas; A.C.A., 1959; 11 The Cliff, Scunthorpe.
Williams, John Philip; A.C.A., 1959; 9 Meadow Road, Neath, Glamorgan.
Williams, Roy; A.C.A., 1959; 64 Apsley Road, Great Yarmouth, Norfolk.
Williams, Thomas Richard James; A.C.A., 1959; 159 Carson Road, London, E16.
Williamson, Alan George; A.C.A., 1959; 14 Willian Way, Letchworth, Herts.
Wills, John Robert; A.C.A., 1959; 105 County Road, Ormskirk, Lancs.
Wilmot, Kenneth Frederick; A.C.A., 1959; 39 Croft Way, Horsham, Sussex.
Wilson, Alan William; A.C.A., 1959; The Carlton Hotel, East Cliff, Bournemouth, Hants.
§Wilson, James Murray; A.S.A.A., 1959; 'Bodele', Harcourt Road, Claremont, Cape Town, S. Africa.
Winder, John Alan; A.C.A., 1959; 170 South View Road, East Bierley, near Bradford.
Windows, Gordon Tennyson; A.C.A., 1959; 15 Moreton Road, Oxford.
Windsor, James Michael; A.C.A., 1959; 2 Vandyck Avenue, Burnley.
Wilson, Robert; A.C.A., 1959; 53 Gamble Street, Forest Road West, Nottingham.
Winterburn, John Henry; A.C.A., 1959; 8 Yarwood Grove, Great Horton, Bradford.
Winterton, William; A.C.A., 1959; Frenchmoore, West Tytherley, near Salisbury, Wilts.
Wise, David Edward; A.C.A., 1959; 50 Warwick New Road, Leamington Spa, Warwicks.
Wiseman, Gerald Arthur; A.C.A., 1959; 66A Sedlescombe Road South, St Leonards, Sussex.
Wong, Joseph Phui-Lun, B.COM.; A.C.A., 1959; 25 Beauchamp Road, Clapham Junction, London, SW11.
Wood, Aubrey Charles; A.C.A., 1959; 9 Wilton Hollow, Amersham Road, Beaconsfield, Bucks.
Woodward, Keith Ward; A.C.A., 1959; 80 Church Lane, Gorleston-on-Sea, Gt. Yarmouth, Norfolk.
Wooldridge, Leslie; A.C.A., 1959; 23 Victoria Rise, Clapham, London, SW4.
Woolf, Peter Michael; A.C.A., 1959; 23 Crespigny Road, Hendon Central, London, NW4.
Woolfenden, Vyvyan Peter; A.C.A., 1959; 6 High Hatherlow, Romiley, Cheshire.

Worth, William John; A.C.A., 1959; 54 Woodland Way, Woodford Wells, Essex.
Wright, John Charles; A.C.A., 1959; 57 King Edward Drive, Grays, Essex.
Wright, Paul Edgson; A.C.A., 1959; with Riddell, Stead, Graham & Hutchison, 460 St John Street, Montreal, P.Q., Canada.
Wynniatt-Husey, Reginald James; A.C.A., 1959; 50 Braemore Road, Hove 3, Sussex.

Yendle, Anthony; A.C.A., 1959; The Laurels, Millbrook Crescent, Carmarthen.
Yorke, John David; A.C.A., 1959; Bowling Green Cottage, Stainland, Halifax, Yorks.
Young, Arthur; A.C.A., 1959; 2 Alexander Square, Clayton, Bradford.
Young, Eric Cecil; A.C.A., 1959; 112 Rutland Road, Southhall, Middx.
Young, Jack; A.C.A., 1959; 14 Hartburn Road, Cullercoats, North Shields, Northumberland.
Young, Roderic Neil, B.A.; A.C.A., 1959; The Gables, Oxted, Surrey.
Youngman, Brian John; A.C.A., 1959; 11 Blackthorn Drive, Stopsley, Luton, Beds.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948.

At a hearing held on August 5th, 1959, a formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that George Percie Euler, A.C.A. (*a*) was on February 6th, 1959, at Bow Street Magistrates Court convicted of a charge that being the receiver of the whole or substantially the whole of the property of a limited company he failed to send to the Registrar of Companies an abstract in the prescribed form showing receipts and payments during the period of twelve months ended February 10th, 1958, contrary to Section 372 of the Companies Act; (*b*) had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that he failed to reply to two letters addressed to him by the Assistant Secretary and Secretary of the Institute dated respectively February 27th, 1959, and April 8th, 1959, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against George Percie Euler, A.C.A., had been proved under both headings and the Committee ordered that George Percie Euler, A.C.A., of the Chalet, Clifton Lane, Ruddington, Nottinghamshire, be excluded from membership of the Institute.

At a hearing on July 1st, 1959, the committee heard seventy-seven formal complaints preferred by the Investigation Committee each to the effect that the member concerned had failed to pay, within four months of January 1st, 1959, the subscription then due and payable by him, so as to render himself liable to exclusion or suspension from membership.

In every case the committee found the formal complaint proved.

The committee ordered that each of the twenty-seven members whose names are set out below be excluded from membership of the Institute:

Sidney Berman, A.C.A., Government of Northern Region of Nigeria, Accounting Division, Ministry of Finance, Kaduna, Northern Region, Nigeria, B.W.A.
John Michael Blankley, B.COM., A.C.A., 106 No. Lucerne Bld., Los Angeles, 4.
John Horace Brookes, A.C.A., 49 Wellington Road, Bromsgrove, Worcs.
Maxwell Peter Brooks, B.A., A.C.A., Holmbury, Willey Lane, Caterham, Surrey.
Alec Frank Butterick, A.C.A., Flat No. 202, Van Brandis Heights, Hillbrow, Johannesburg, South Africa.
Mark Garnett Cooper, A.C.A., 10 Beaufort Road, Clifton, Bristol, 8.
Arthur Charles Eldridge Ferguson, A.C.A., 133 McKay Avenue, Windsor, Ontario, Canada.
Hugo Gaynor, A.C.A., c/o Simpson Sears Ltd, 1271 Barton Street E., Hamilton, Ontario, Canada.
Peter Owen Grant, A.S.A.A., c/o Colin Corbett & Co, P.O. Box 82, Knysna, Cape, South Africa.
James Green, A.C.A., 21 Swinley Lane, Wigan, Lancs.
Leslie Orrell Hart, A.C.A., 45 Nailcote Avenue, Tile Hill, Coventry.
Edward Hartley, A.C.A., 70 Kingston Crescent, Portsmouth.
George Francis Judd, F.C.A., P.O. Box 8529, Johannesburg, South Africa.
Philip Anthony North, A.C.A., c/o G. Hercock, Esq., 65 Meadway, Welwyn Garden City, Herts.
Maurice John O'Shea, B.A.(COM.), A.C.A., 3659 Lorne Crescent, Montreal, P.Q., Canada.
Charles Alexander Parker, A.C.A., c/o The Mason Engineering Co Ltd, Riverside Works, St Andrews Road, Northampton.
Leonard Charles Pearce, A.C.A., 64 Fore Street, Newquay, Cornwall.
Derek Anthony Renaut, A.C.A., 4033 East Sussex, Fresno, California.
Amiya Mohan Roy, A.C.A., 62 Boloram de Street, Calcutta 6, India.
John Sheldon, A.C.A., 69 Kempe Road, NW6.
Geoffrey Emanuel Simmonds, A.C.A., 4877 Sherbrooke Street West, Montreal, P.Q., Canada.
Alexander Basil Slod, B.COM., F.C.A., 32 Allenby Road, Tel-Aviv, Israel.
Francis George Swain, A.C.A., The Blue Cross, Our Dumb Friends League, Grosvenor Gardens House, Grosvenor Gardens, Victoria, SW1.
Ivor Thomas, F.C.A., Lynwood, College Road, Carmarthen.
Veembukattu Abraham Thomas, A.S.A.A., Balmer, Lawrie & Co Ltd, 21 Netaji Subhas Road, Calcutta 1, India.
John Arthur Williams, A.C.A., 7 Piercefield Road, Freshfield, Liverpool.
George Wright, A.C.A., Lloyds Bank Chambers, Westgate, Huddersfield.

The committee further ordered that thirteen other members be excluded from membership but that the decision be suspended in each case so as to take effect from August 31st, 1959, only if a remittance of the amount owing should not have been received before that date. In nine cases the decision did not take effect; the following four members were excluded from membership on August 31st, 1959:

Eric Howland Blandy, M.A., A.C.A., c/o Midland Bank Ltd, 2 Hill Street, Jersey, Channel Islands.
William Douglas Boyack Bruce, A.C.A., P.O. Box 465, Nassau, Bahamas.
Ivor Henry Davis, M.C., A.C.A., c/o Shell-Mex Uruguay Ltd, Casilla de Correo 838, Montevideo, Uruguay.

David Allen Lindsay, A.C.A., The Hallams, Shamley Green, Guildford, Surrey.

In the case of the remaining thirty-seven members, whose full subscriptions had all been tendered at the date of the hearing, the committee decided that five be reprimanded and twenty-five admonished and that no action be taken against seven; the committee considered that there existed in thirty-six cases special circumstances which justified the omission of the names of the member from the publication of the finding and decision. The following member was reprimanded: Michael Ross Macartney, A.C.A., P.O. Box 384, Singapore.

At a hearing on August 5th, 1959, the committee heard a formal complaint preferred by the Investigation Committee to the effect that Roy William Pepperell A.C.A., had failed to pay the subscription due from him in respect of the year 1959 for four months after the same had become due.

The committee found the formal complaint against Roy William Pepperell had been proved and ordered that Roy William Pepperell, Vale do Tibagi Comercio e Industria S/A, Av. Pres. Vargas 642, 11° And., Rio de Janeiro, Brazil, be excluded from membership.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting for Oil and Gas Producers; by C. A. Smith and H. R. Brock. Englewood Cliffs, N.J. 1959. (Prentice-Hall, 72*s*.)

Auditing: a C.P.A. review manual; by B. Newman. New York. 1958. (John Wiley, 102*s*.)

Business Forecasting. (Market Research Society.) 1958. (M.R.S., 15*s*.)

Committee on the Working of the Monetary System: Report. Cmnd. 827. (Committee on the Working of the Monetary System.) 1959. (H.M.S.O., 15*s*.)

Consequential Loss: insurances and claims; by D. Riley: Second edition. 1959. (Sweet & Maxwell, 50*s*.)

Covenants, Settlements and Taxation; by G. B. Graham: Second edition. 1959. (Solicitors Law Stationery Society, 10*s* 6*d*.)

Farm Rents and Tenure; by J. T. Ward. 1959. (Estates Gazette, 15*s*.)

Gold and Paper: a history of the National Bank of Australasia Ltd; by G. Blainey. Melbourne. 1958. (Georgian House, presented.)

The Great Swindlers; by Judge G. Sparrow. 1959. (John Long, 18*s*.)

Hire-purchase Accounts and Finance; by H. S. Cook, J. A. Hermon, A.C.A., and H. Pearse. 1959. (Gee, presented, 27*s* 6*d*.)

Income Growth with Security: the formula-plan solution; by S. F. Feyler. New York. 1958. (Macmillan, 34*s* 6*d*.)

Machine Accounting; by O. Sutton: Third edition; by L. M. Nation-Tellery. 1959. (Macdonald & Evans, 42*s*.)

Management Development: a systematic approach to the provision of supervisors and managers; by F. I. de la P. Garforth. 1959. (Institute of Personnel Management, 15*s* 6*d*.)

The Principles of Company Law; by R. R. Pennington. 1959. (Butterworth, 50*s*.)

The Role of the Managing Director; by G. Copeman. 1959. (Business Publications, 42*s*.)

Some Pillars of English Law; by J. Duhamel and J. D. Smith. 1959. (Pitman, 20*s*.)

Taxation Guide: 1959/1960 Budget Edition; by J. D. Jenkins. Bradford. 1959. (Typescript.) (J. D. Jenkins, 21*s*.)

Who Owns Whom: a directory of parent and subsidiary companies in industry and commerce. (O. W. Roskill & Co.) Second edition, 2 volumes. 1959. (O. W. Roskill & Co, 84*s*.)

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(7 & 8 Eliz. 2)

Chapter 39: Supreme Court of Judicature (Amendment) Act, 1959

An Act to amend the law relating to the restriction of vexatious actions.

Price 3d net. *May 14th, 1959.*

Chapter 40: Deer (Scotland) Act, 1959

An Act to further the conservation and control of red deer in Scotland; to prevent the illegal taking and killing of all species of deer in Scotland; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *May 14th, 1959.*

Chapter 41: Criminal Justice Administration (Amendment) Act, 1959

An Act to amend the law relating to the formation of additional Courts of quarter sessions in boroughs.

Price 3d net. *July 9th, 1959.*

Chapter 42: Solicitors (Amendment) Act, 1959

An Act to make provision for an increase in the membership of the disciplinary committee constituted under Section forty-six of the Solicitors Act, 1957.

Price 3d net. *July 9th, 1959.*

Chapter 43: Post Office Works Act, 1959

An Act to vest in the Postmaster-General certain underground works constructed in London, Manchester and Birmingham in the exercise of emergency powers; and for purposes connected therewith.

Price 6d net. *July 9th, 1959.*

Chapter 44: Fire Services Act, 1959

An Act to amend the Fire Services Act, 1947, and make further provision as to the pensions of persons transferring to or from the fire service and as to members of fire brigades becoming temporary instructors in training establishments.

Price 9d net. *July 9th, 1959.*

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Dublin on Thursday, August 27th.

Attendance

The President, Mr D. McC. Watson, was in the chair, and there were also present:

Messrs H. E. A. Addy, John Bacon, Mervyn Bell, A. S. Boyd, G. A. P. Bryan, M. M. Connor, A. E. Dawson, J. F. Dempsey, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson and James Walker with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs G. E. Cameron, *Vice-President*, Robert Bell, Frank Cleland and James Graham.

Fellowship

The following Associates were elected to Fellowship:

Allen, Norman Walter (Belfast).
Cremin, Michael Patrick (Dublin).
Irons, Robert Cochrane (Ballymena).
Wilson, Henry Gerard (Belfast).

Associateship in Practice

The following Associates were admitted to Practice:

Corrigan, John Oliver (Armagh).
Gunning, Peter Hayman (Dublin).
Judge, Norman Ernest (Dublin).
Nolan, Michael Joseph (Paris).

Membership

The following candidates, who were successful at the Institute's Final examination held in May 1959 were admitted to membership as Associates not in practice:

Aboud, Romize Michel (Sierra-Leone); Alexander, Sydney Bertram (Belfast); Boucher, Arthur James Kinnear (Belfast); Bunting, Laurence (Belfast); Cairnduff, Ian Bruce (Dublin); Davitt, Maurice Francis Michael (Dublin); Dolan, Brendan Kieran (Dublin); English, Brian Thomas (Belfast); Fisher, Thomas Anderson (London); Gearty, Raymond Chrysostum (Strokestown, Co. Roscommon); Gomarsall, Derrick Arthur (Middlesex); Hope-Ross, Malcolm Cecil (Trinidad); Hourihane, John Desmond (Dublin); Hussey, Frederick David (Dublin); Kelly, Timothy Francis (Dublin); Kennedy, Philip Edward (Dublin); Kerr, James Wright (Ballymena, Co. Antrim); King, Robert John (Belfast); Kirby, Thomas Patrick (Dublin); McAuley, David Morton (Donaghadee, Co. Down); McElhatton, Aubrey (Dublin); Magill, David Gerard (Belfast); Murphy, James Joseph (Dublin); Murray, Bernadette Catherine (Navan, Co. Meath); Neligan, Maurice Anthony (Dublin); O'Donoghue, Philip (Dublin); Pounder, Rafton John (Belfast); Slattery, William Joseph (Limerick); Steel, John (Comber, Co. Down); Thunder, Thomas Joseph Gerard (Dublin); Wallace, John Kevin Vincent (Limerick); Wilson, Ephraim Graham (Belfast).

The following candidates, who were successful at the Final examination held in May 1959 under the syllabus of The Society of Incorporated Accountants (in voluntary liquidation) were admitted to membership:

(i) *As an Associate in Practice:* Mitchell, John Smyth (Ballymena, Co. Antrim). (ii) *As Associates not in Practice:* Brennan, John (Bray, Co. Wicklow); Brown, Harwood (Lurgan, Co. Armagh); Carney, Thomas Francis (Dublin); Courtney, Donal Francis (Dublin); Hohn, Derek Thomas (Dublin); Jamison, Ivan Alexander (Belfast); Johnston, James Robert (Belfast); Mullarney, James (Dublin); O'Muirthile, Donal (Cork); Stewart, Matthew Henry (Portrush, Co. Antrim); Taylor, David Courtenay Beauchamp (Dublin); Thornbury, William Ronald (Belfast); Tinsley, Hugh Ronald (Belfast).

At a short ceremony the President welcomed a number of the new Associates to whom he presented certificates of membership.

One application for reinstatement as an Associate was acceded to.

The Council accepted the resignation from membership of the Institute of William Stanley Morrison, A.C.A., Brisbane.

The recent deaths of Ernest Alexander Anderson, F.C.A., Belfast, and Cecil Edward Hall-Thompson, F.C.A., Northern Rhodesia, were reported.

Examinations: November 1959

It was decided that Preliminary, Intermediate and Final examinations of the Institute should be held in Belfast and Dublin on November 10th, 11th, 12th and 13th, 1959.

Intermediate and Final examinations of The Society of Incorporated Accountants (in voluntary liquidation) which are being conducted in Ireland by the Institute will also be held in Belfast and Dublin on November 10th, 11th, 12th and 13th, 1959.

For Students

COSTING

Practical Problem

Question

The following information is supplied by the costing office of a business manufacturing a standard product:

	Budgeted figures	*Actual figures*
Sales	16,000 products	15,600 products
Selling prices ..	£5	£5 4s 0d
Materials (per unit)	4s 6d	5s
Usage of materials	192,000 units	196,000 units
Wages	112,000 hours	106,400 hours
Standard hourly wage rate ..	3s per hour	
Wages paid ..		£16,100
Expenses: Fixed ..	£2,400	£2,640
Variable	1,600	1,625

Notes.

(i) There is no stock of materials or work in progress at the beginning or the end of the period.

(ii) The normal number of working days in each four-week period are 20 days. In this period there were 19 days.

(iii) The standard profit per product is:

	£	s	d	£	s	d
Selling price				5	0	0
Materials: 12 units at 4s 6d ..	2	14	0			
Wages: 7 hours at 3s ..	1	1	0			
Expenses: Fixed ..		3	0			
Variable ..		2	0			
				4	0	0
				£1	0	0

Prepare a standard cost statement for the period.

Answer

STANDARD COST STATEMENT

Period ended ....

	Quantity	£
Standard sales	16,000	80,000
Quantity variance	400	2,000
	15,600	78,000
Deduct Standard cost of sales:		
Materials: 12 units per product – ∴12×15,600=187,200×4s 6d	£42,120	
Labour: 7 hours per product – ∴7×15,600=109,200×3s ..	16,380	
Expenses: Fixed 15,600×3s	2,340	
Variable 15,600×2s	1,560	
		62,400
Standard profit on actual sales ..		15,600
Variances:		
Sales – price variance 15,600×4s ..		3,120
Carried forward		18,720

Brought forward				£18,720
Expenditure:				
Materials:		£		
Price increase 196,000×6d		4,900		
Usage 196,000—187,200= 8,800×4s 6d		1,980		
			6,880	
Labour:				
Rates of pay: Wages paid		16,100		
Budgeted wages: Standard hrs. 112,000				
Calendar variance, 1 day $\frac{112,000}{20}$	5,600			
Standard hourly rate 3s×	106,400	15,960		
		140		
Efficiency:				
Standard time to complete actual production: 15,600×7hrs=	109,200			
Actual time	106,400			
Standard hourly rate 3s×	2,800	420		
			280	
			6,600	
Expenses:				
Fixed:				
Calendar variance 1 day: $\frac{£2,400}{20}$		120		
Expenditure variance:				
Standard ..	£2,400			
Actual ..	2,640			
		240		
		360		
Capacity variance: Time saved in production 2,800 hours. Standard time per product 7 hours. This represents 400 units. Rate per product 3s ∴400×3s		60		
			300	
Variable:				
Volume – $\frac{400}{1}\times\frac{£1,600}{16,000}=$		40		
Expenditure –				
Standard ..	£1,600			
Actual ..	1,625			
		25		
			65	
				6,965
Actual net profit				£11,755

Notes and Notices

PERSONAL

Messrs W. J. Calder, Sons & Co, Chartered Accountants, of 90 Jermyn Street, London, SW1, announce that as from September 4th, 1959, Mr Michael John Calder, B.A., A.C.A., has been taken into partnership.

Messrs William Duncan & Co, Chartered Accountants, of 208 Bath Street, Glasgow, C2, announce that Mr Robert Gott Gibson, C.A., has been assumed as a partner as from September 1st, 1959.

Messrs Massey & Ellison, Chartered Accountants, of Princes Chambers, 6 Corporation Street, Birmingham, 2, announce that Mr R. E. Boulter, A.C.A., who was associated with the firm from 1950 to 1957, has been admitted as a partner as from July 1st, 1959. The style of the firm remains unchanged.

Messrs Wilson de Zouche & Walker Sclanders, Chartered Accountants, announce that as from September 17th, 1959, the address of their principal office will be transferred from 6 Queen Street, London, EC4, to 6 Holborn Viaduct, London, EC1. Telephone: City 1843.

PROFESSIONAL NOTES

Mr A. B. Thoseby, F.C.A., a director of West Riding Worsted and Woollen Mills Ltd, has been appointed a director of the company's subsidiary, J. J. L. & C. Peate (Guiseley) Ltd.

Mr L. C. Upsdell, A.C.A., secretary of Elliott-Automation Ltd, has joined the Board of Elliott Brothers (London) Ltd, a subsidiary of Elliott-Automation.

Mr T. Leslie Perry, F.C.A., chairman of Bradley & Co Ltd, has joined the Board of W. P. Butterfield Ltd, and Mr Leslie Jones, A.C.A., commercial manager of W. P. Butterfield Ltd has joined the Board of Bradley & Co Ltd.

COUNCIL ON PRICES, PRODUCTIVITY AND INCOMES

Resignation of Lord Cohen

Lord Cohen, who has been chairman of the Council on Prices, Productivity and Incomes since its inception in August 1957, has resigned in order to give more time to his legal duties.

Lord Cohen is 71, and has been a Lord of Appeal in Ordinary since 1951. His resignation from the Council means that only Sir Harold Howitt of the original 'Three Wise Men' now remains a member of the Council (Sir Dennis Robertson was succeeded last December by Prof. H. Phelps Brown).

The work of the Council's staff will continue while the question of a successor to Lord Cohen is being considered.

BUILDING SOCIETIES' ANNUAL RETURN

Notes for the guidance of auditors of the accounts of building societies in respect of the revised Form A.R.11 (referred to in a Weekly Note in our issue of August 22nd) have now been issued by the Registrar of Friendly Societies.

THE BRISTOL & WEST OF ENGLAND SOCIETY OF CHARTERED ACCOUNTANTS

At the annual general meeting of The Bristol and West of England Society of Chartered Accountants, Mr F. J. Weeks, A.C.A., was elected President for the ensuing year.

Educated at Clifton College (of which he is now a governor), Mr Weeks served his articles with Messrs

Grace, Darbyshire & Todd from 1921–1926 and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1927. For the following three years he was a member of the staff of Messrs Deloitte, Plender, Griffiths & Co and in 1930 he joined The Imperial Tobacco Co Ltd as an assistant accountant. He has been accountant of the W. D. & H. O. Wills branch of the company since 1947.

Mr Weeks has been a member of the Institute's Management Accounting Sub-Committee (formerly the Cost Accounting Sub-Committee) since 1943, and in 1950 he was a member of the Management Accounting Team which toured the United States under the auspices of the Anglo-American Council on Productivity. He became a member of the Taxation and Research Committee in 1954 and in that year addressed the Institute's Summer Course on 'Stock control – manufacturing business'.

A distinguished sportsman, Mr Weeks has played cricket for Gloucestershire and hockey for Gloucestershire, Suffolk and the West of England. His hobbies are fishing, golf and gardening.

Other officers of the Society for 1959–60 are:

Vice-President and Treasurer: Mr W. E. Dewdney, F.C.A.

Hon. Secretary: Mr G. C. Ehlers, M.A., F.C.A., 28 Baldwin Street, Bristol 1.

Hon. Librarian: Mr R. A. Chermside, F.C.A.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The annual dinner of The Leeds, Bradford and District Society of Chartered Accountants will be held at *The Queen's Hotel*, Leeds, at 6.45 p.m. for 7.30 p.m. on Friday, October 23rd. Members wishing to attend should advise the honorary secretary of the Society, Mr G. D. Paterson, M.A., F.C.A., at City Chambers, Infirmary Street, Leeds 1, not later than September 19th.

MANCHESTER AND LIVERPOOL STUDENTS' RESIDENTIAL COURSE

The Joint Tuition and Education Committee of the Manchester and Liverpool Societies of Chartered Accountants are holding their twenty-first joint residential courses for Intermediate and Final students at Burton Manor, Burton-in-Wirral, from Friday, September 25th to Friday, October 2nd (inclusive).

The courses are intended to give students – and especially those unable to attend the Saturday morning lectures – an opportunity of hearing lectures on the more important subjects covered by the examination syllabus to enable them to discuss their problems with contemporaries, and to have their unresolved problems further explained by the lecturers. A resident student tutor will be available throughout the week to afford assistance and guidance to the students.

MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The 1959–60 session of the Manchester Chartered Accountants' Students' Society commences on September 24th with a President's tea-party for recently-articled clerks. At this informal meeting, as in previous years, newly-articled clerks will have an opportunity of becoming acquainted with the general activities of the Society.

A comprehensive lecture programme has been arranged for the new session and the meetings, which will be at 6 p.m. preceded by light refreshments at 5.30 p.m., will take place at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. The programme, up to the year end, is as follows:

September 24th: 'The Institute, its aims and ideals', by Mr R. H. E. Wilkinson, M.A., J.P., F.C.A.
October 1st: 'Balance sheet interpretation', by Mr N. V. Underwood, A.I.B. (Midland Bank Ltd, Manchester).
October 8th: 'An introduction to electronic data processing', by Mr J. Gelley, B.COM., A.C.A. (I.B.M. United Kingdom Ltd).
October 15th: 'In-line accounting', by Mr J. Gelley, B.COM., A.C.A. (I.B.M. United Kingdom Ltd).
October 22nd: Visit underground to a Manchester Colliery.
October 29th: 'A practical approach to auditing problems', by Mr D. R. Brooks, B.A.(COM.), A.C.A.
November 5th: 'Double taxation relief', by Mr C. C. Hunt (Senior Inspector of Taxes).
November 12th: 'Branch accounts', by Mr K. S. Carmichael, A.C.A. (H. Foulks Lynch & Co, London).
November 19th: Visit to Wilson's Brewery Ltd.
November 26th: 'Executorship in practice', by Mr D. C. Davies, LL.B., A.I.B. (Midland Bank Executor & Trustee Co Ltd).
December 2nd: Visit to Thomas Hedley & Co Ltd.
December 3rd: 'Fire and loss of profits insurance', by Mr P. F. Shimmin, F.C.I.I. (Liverpool and London and Globe Insurance Co).
December 10th: 'Other classes of insurance, including life assurance and pension schemes', by Mr R. G. Crook, A.C.I.I., A.M.C.I.B. (Harold Yates, Burgess & Co Ltd).
December 17th: 'Road safety', by Chief Inspector F. White (Manchester City Police Traffic Patrol).

In addition to these meetings, Saturday morning lectures will be held at Chartered Accountants' Hall and at Masonic Hall, Saul Street, Preston.

THE INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

Mr Bradford Cadmus, managing director of The Institute of Internal Auditors, will address a meeting of the Manchester Chapter to be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, at 6.30 p.m. on September 16th. Interested non-members are invited to attend.

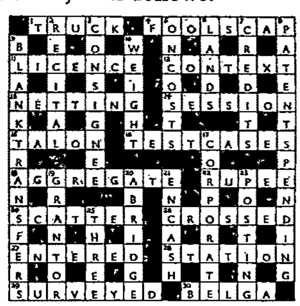
The Chapter Secretary is Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex & B.P. Ltd, 7 Oxford Road, Manchester, 1.

Newcastle Chapter

Mr Cadmus will also address a meeting of the Newcastle Chapter which is to be held at 7 p.m. on September 18th at the County Hall, Newcastle upon Tyne. The Chapter Secretary is Mr A. H. Berrisford, 40 Westley Avenue, Whitley Bay, Northumberland.

ACCOUNTANTS' CROSSWORD: SOLUTION

The solution to the 'Accountants' Crossword', compiled by Mr Kenneth Trickett, A.C.A., which appeared in last week's issue, is as follows:



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Accountants Need Not Apply

IF a nationalized industry wished to escape the attentions of a select committee, it might only require to see that its published reports and accounts were fairly well filled with figures. Exactly how many figures it is impossible to say, but some indication might be gained from the fact that the reports of the State airways (eighty pages of accounts) did not suffice, whereas that of the former Central Electricity Authority (400 pages of figures) did.

These reflections are prompted by the Special Report from the Select Committee on Nationalized Industries (Reports and Accounts)[1], published last week. As a result of their difficulties with the 'formidable tables of figures' which they had to examine during their inquiries into the Scottish Hydro-Electric Board, the National Coal Board, B.E.A. and B.O.A.C., the committee came to the conclusion that skilled assistance was necessary if they were to fulfil the purpose of their appointment. The committee therefore devoted a series of meetings during June and July last to discussing the form such assistance might take and to considering evidence from the Comptroller and Auditor-General, representatives of the Civil Service, the accountancy profession and the House of Commons itself.

The Select Committee themselves thought there were two ways in which they would have benefited from specialist assistance: first, a qualified accountant to help in analysing and interpreting the figures presented to them, and secondly, someone appropriately trained to do a little 'devilling' for them. Indeed, the solution to the problem was proposed as far back as 1953, when a Select Committee first considered how a sessional select committee on the nationalized industries might best operate. It was then suggested that they should be given the assistance of an officer of the status of the Comptroller and Auditor-General, at least one professional accountant, such other staff as required, and additional information from the statutory auditors of the national corporations. In the event, the committee were only provided with one clerk from the committee office, where none of the staff is an accountant.

Other alternatives now examined by the committee were:

(i) assistance from a Treasury official seconded for each inquiry;
(ii) assistance from the Comptroller and Auditor-General and his staff;
(iii) assistance from the staff of the Librarian of the House of Commons;

[1] H.M.S.O., 4s net.

(iv) power to employ an economist from a university or elsewhere;
(v) power to build up a small research staff;
(vi) the appointment of an additional clerk.

They rejected all of these with the exception of (iii) and (vi). To call upon a Treasury official would not accord with the principle that a select committee should be independent of the Government, and might work against a critical examination of the relationship between the Government and the Boards of the nationalized industries. The Comptroller and Auditor-General and his staff, as they were not qualified accountants, would be 'taken out of their normal functions'. Employment of an economist would bring in a person 'whose first loyalty may not be to the House'. To build up a research staff would be difficult because of lack of continuity in the work and prospects of promotion.

The committee emphasize the necessity of having trained assistance which would be available to them at any time during their inquiries, and this, together with a precedent discovered in the proceedings of a Select Committee on the telephone service in 1921, indicates the possibility of appointing an 'assessor', who would be paid a fee according to the amount of work he actually did. (A point not to be overlooked is that if the assessor were a firm of accountants, or a partner in a firm, then the firm's staff would be at the disposal of the committee for research and other 'devilling'.) The principle behind this proposal was eventually endorsed by the Leader of the House, The RT. HON. R. A. BUTLER, in a memorandum to the committee, but in his oral evidence to the committee, MR BUTLER expressed his, and therefore the Government's, unwillingness to bring a firm of chartered accountants into the work of the Select Committee, even though the choice were restricted to those firms which do no work for the nationalized corporations. The Leader of the Opposition, MR GAITSKELL, was of the same opinion. Besides the jealousy with which the House guards what it believes its traditions to be, and the delicate relations between the Government and the boards of the nationalized industries, what both sides most fear is the creation of a new institution consisting of an official with his own staff, who might achieve some kind of power in the land.

Of the witnesses who gave evidence before the committee, therefore, only SIR HAROLD HOWITT and SIR THOMAS ROBSON, representing The Institute of Chartered Accountants in England and Wales, expressed any sympathy with the committee's own ideas. An Institute memorandum to the 1953 Select Committee on Nationalized Industries,[1] stated *inter alia* that:

> 'the professional accountant may be of assistance to Parliament in the following ways: (*a*) by participating in the periodical reviews of the nationalized industries which it may be decided to hold every few years; (*b*) by making special *ad hoc* investigations into particular phases of the undertakings if called upon to do so by the Public Accounts Committee or other committee concerned; . . . and (*d*) by assisting the Public Accounts Committee, if called upon to do so as to the lines its inquiries might take'.

SIR HAROLD and SIR THOMAS confirmed that this was still the opinion of the Institute, and pointed out that practising accountants with experience of nationalized industries other than the one being examined might well be called upon to help a particular inquiry, because of their knowledge of the general structure of these concerns.

In their conclusion, the committee emphasize the need for the 'right staff' to aid select committees charged with examining the reports and accounts of nationalized industries, but they leave it to the House of Commons to decide if specific powers should be given to future select committees to appoint an assessor, or if additional help should come from the staff of the House – by augmenting it if necessary – or if a combination of the two should be used. The questions whether the assessor should be appointed from a firm of practising accountants or whether the additional help should be that of a qualified accountant, are not posed at all.

But perhaps the most disturbing feature of this report is the fact which emerges from the evidence of MR BUTLER and MR GAITSKELL before the Select Committee, that neither the Government nor the Opposition were willing to provide the committee with the type of technical assistance they need in order to inquire into matters of public interest. If it is the object of the Government, and of those who see themselves as the future Government, to hamstring such inquiries, one can think of no better method.

[1] See *The Accountant*, October 24th, 1953, page 483.

Accountancy Fees as Deductions in Tax Computations

by A. V. TRANTER, Ph.D., B.Sc.(Econ.)
Lecturer in Taxation, University of Sheffield

APART from a few theorists who suggested that an accountant's charges for preparing the accounts of a business, like the expenses of keeping a company's share register and paying debenture interest and dividends, were not really expenses incurred in earning the business profits and should therefore not be treated as allowable deductions in computing taxable profits, it used to be regarded as axiomatic that accountancy fees were permissible deductions. It was not until 1932 that this point was brought before the Courts in the case of *Worsley Brewery Co Ltd v. C.I.R.* (11 A.T.C. 340; 17 T.C. 349).

The facts in this case were that a company had its liability to excess profits duty, to 1920 inclusive, settled after discussion between the Revenue and the company's accountants, and the fees paid to those accountants for preparation of accounts and settlement of the liabilities had been allowed as deductions in computing the amounts of the assessable profits both for income tax and for excess profits duty. In 1925, the company instructed another firm of accountants to revise the excess profits duty computations.

The revision was completed in 1928, and the Revenue repaid in 1928 and 1930 the duty which it was agreed had been overpaid. The company then claimed that the fees paid to the second accountants should be apportioned over the seven years' accounting periods covered by the revision and the appropriate amounts allowed as deductions. The General Commissioners held that the fees were not allowable expenses of the excess profits duty periods, and this decision was upheld both in the King's Bench Division (Rowlatt, J.) and in the Court of Appeal.

The Point at Issue

It should be noted that the point considered was whether a particular expense could be deducted in computing the taxable profits for a particular accounting period, and that the point as to whether the fees were deductible at all was not really raised. Mr Justice Rowlatt said that if it had been a question of some rectification of the fee which had been paid to the original accountants, the accounts for the year concerned could have been reopened; but the case raised the question of a charge for accountancy services employed *de novo* in a subsequent year, and such services could not be regarded as cleaving, in some metaphysical way, to the process of making the accounts for an excess profits duty accounting period, but must be treated as a current item of the expenses in the current year.

The Master of the Rolls said:

> 'What is said on behalf of the Appellants is . . . first of all, that an accountancy charge is an allowable charge against excess profits duty; secondly, that in this case there should be two sets of accountants allowed, as in fact two sets of accountants were employed; and, thirdly, that the period to which these fees of the second accountants should be appropriated are the several years to which the assessment attaches, just as the first accountants' fee was appropriated to the year in which the work was done. Now it seems to me quite unnecessary for us to determine either of the first two points. It would appear from the facts that it is the custom, and it is right, to allow accountancy charges in the computation of the profits for the purpose of excess profits duty. I do not desire to say more; I accept that proposition as one which is not contested in the present case. Secondly, it may be that it is right to employ not one but two sets of accountants. Again I make no comment upon that; I am going to assume that it was a legitimate expense for the company to undertake, but it is to be remembered that the expense was incurred by reason of the retainer given in the year 1925, and not before. But when we come to the question of what period ought it to be attributed to, which seems the vital question that we have to determine, I find myself in agreement with Mr Justice Rowlatt.'

Lord Justice Slesser said:

> 'That, as the Solicitor-General has pointed out, conceding it, as he does, for the purpose of this argument – the employment of accountants, I suppose either the original accountant, or, possibly, another accountant, during the period of assessment would or might be properly deductible as an expense. It is impossible to say that the employment of the accountant several years afterwards can be referred back as an expense to the assessable period merely because they are

dealing with the subject-matter which was considered in the period of assessment.'

Lord Justice Romer came near the general point of deductibility when he said:

'I am prepared to assent to the view that, when ascertaining profits of a trading concern, whether for the purposes of income tax or excess profits duty, the expense of having the accounts investigated by an accountant usually employed, or by any accountant, and the preparation of the profit and loss account and of the balance sheet, is an expense which the trading concern is entitled to deduct from its receipts for the purposes of ascertaining its profits. That appears to be, or, at any rate, may be taken, I think, to be an expense incurred wholly and exclusively for the purposes of the trade, which means, in view of the statement made by Lord Davey in *Strong v. Woodifield* ([1906] A.C. 448)[1], an expense made for the purpose of earning profits. I am not prepared to hold that when all that has been done and the profits have been ascertained after the employment of the accountants in the normal way and a question arises at some subsequent period between the trading concern and some third party, which involves a consideration of the question whether the profits so ascertained were correctly ascertained, that the expense of further investigating the accounts is an expense incurred for the purpose of earning the profits. It is not incurred for that purpose at all; it is incurred merely for the purpose of settling the dispute which has arisen.'

Connection with Law Costs

In the same year, 1932, the King's Bench Division (Finlay, J.) decided in the case of *Allen v. Farquharson Brothers & Co* (11 A.T.C. 259; 17 T.C. 59) that the costs of employing solicitors and counsel in connection with an appeal to the Special Commissioners against Schedule D assessments on business profits were not an admissible deduction, being an application of profits after they had been earned and not an expenditure necessary to earn the profits. In the course of his judgment, the learned judge said:

'I do not doubt that there are expenditures connected, for example, with the accounts, which are habitually allowed and rightly allowed; I do not doubt that the expenditure of keeping an accountant or, it may be, in the case of some of the very great businesses with which we are familiar, keeping a whole accountants' department, is a proper deduction to be made. I do not doubt, further, that the accountants' department will deal with matters of income tax in the sense that they will prepare the accounts for income tax and, as I suppose, sometime discuss questions with the Inspector of Taxes or representatives from Somerset House which arise, and I do not suppose it would be sought to say that, by reason of that, the expenses of the accountants' department were not proper to be allowed.'

[1] Also 5 T.C. 215.

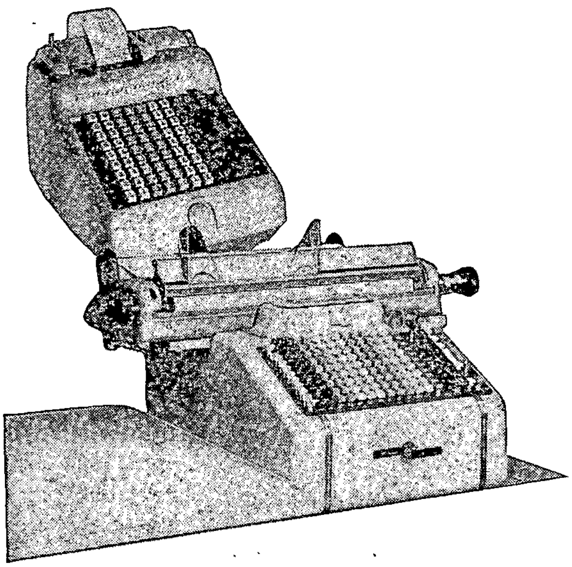
The Main Issue

The matter then slumbered until the period 1946–48, when the cases of *Smith's Potato Estates Ltd v. Bolland* and *Smith's Potato Crisps (1929) Ltd v. C.I.R.* (27 A.T.C. 131; 30 T.C. 267) and *Rushden Heel Co Ltd v. Keene* and *Rushden Heel Co Ltd v. C.I.R.* (26 A.T.C. 116; 30 T.C. 298) were considered by the King's Bench Division, the Court of Appeal and finally by the House of Lords. These dealt with the questions of the admissibility of expenditure (accountancy fees and legal charges) incurred in appeals against income tax and excess profits tax assessments and in opposing excess profits tax directions by the Inland Revenue Commissioners. The Courts found it desirable to clear up some misinterpretations of dicta in the *Farquharson* and *Worsley Brewery* cases. For instance, in the *Rushden Heel* case, the Master of the Rolls, referring to Mr Justice Finlay's remarks in the *Farquharson* case (quoted above), said:

'With this I agree, and I may add that an apportionment of the expense of such a department between its ordinary activities and its purely tax activities would normally be difficult and vexatious and any resulting tax probably negligible in amount. If Finlay, J., meant more than this, e.g. if he meant that an accountancy expense incurred solely for the purpose of conducting a tax controversy with the Crown can be deducted, I would respectfully disagree.'

Again, speaking of the judgment of Lord Justice Romer in the *Worsley Brewery* case (quoted above), the Master of the Rolls said:

'These observations of Romer, L.J., were relied on by the respondents in the present appeal. The argument is, I think, based upon a misconstruction of what the lord justice said. His reference to the deductibility of accountancy expenses related only, as I read his words, to the ordinary investigation of a company's accounts for the purpose of drawing up or checking its profit and loss account and balance sheet "in the normal way", which are properly allowed as deductions. That this is what he meant is, I think, made clear by the contrast which he draws between work of that description and work undertaken for the purpose of a dispute between the company and a "third party" – by which, of course, he meant the Crown. It appears to me that the reference to the deductibility of accountants' fees



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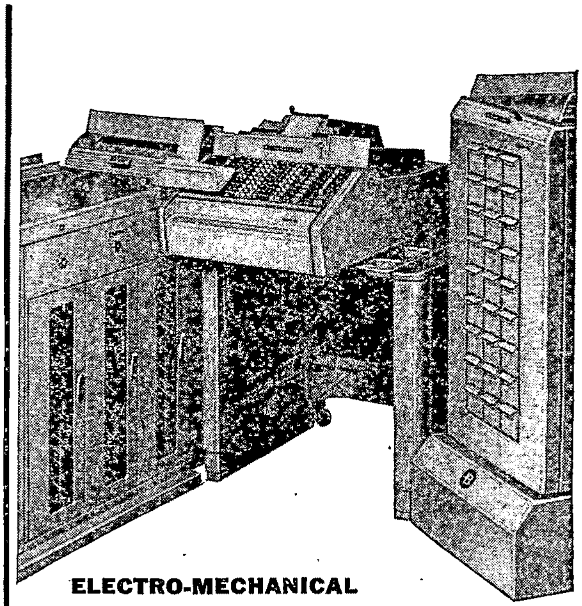

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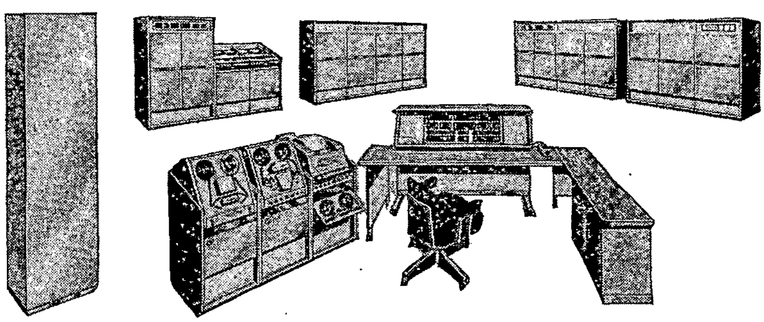

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does not extend to cover the case of accountants' fees incurred solely for the settlement of a tax question: *a fortiori* it cannot be relied upon as indicating a view that all the costs incurred in connection with a tax dispute, including the costs of litigation, are deductible. Romer, L.J.'s, language, in my opinion, and with all respect to Atkinson, J., who thought otherwise, was not intended by him to convey any such meaning.'

Lord Justice Morton agreed with this construction of the judgment.

The *Smith's Potato* cases were heard by the Special Commissioners who decided that the expenses claimed were inadmissible, and a similar decision was given by the General Commissioners who heard the *Rushden Heel* appeals. All the cases came before Mr Justice Atkinson, King's Bench Division, who reversed the decisions of the Commissioners on the grounds that the expenses were incurred in order to ascertain the divisible profits of the businesses. All these decisions were reversed in the Court of Appeal, and the decisions of the Court of Appeal were upheld in the House of Lords, although only by a majority decision (Viscount Simon and Lord Oaksey dissenting) in the *Smith's Potato* cases. These decisions established that:

(*a*) the cost of preparing a profit and loss account and balance sheet was deductible;

(*b*) the cost of preparing computations of taxable profit was strictly not allowable, but it was often impracticable to separate this from (*a*) and therefore was allowed in practice; and

(*c*) the costs of an appeal against a tax assessment or against a direction by the Commissioners of Inland Revenue were not deductible.

The lines of reasoning are indicated in the following extracts from the judgments. The Master of the Rolls in the *Rushden Heel* case said:

'I am prepared to assume (although I do not so decide) that the ascertainment of the proper amount of tax payable ought, as the appellant argues, to be regarded as necessary for the proper carrying on of the trade and, therefore, for earning of profits in the future. But I cannot agree that the money can be said to have been laid out "wholly and exclusively" for that purpose. It was laid out as it appears to me, just as much if not more for the purpose of ensuring that the company, like any other taxpayer, should pay the proper amount of tax, no more and no less.'

House of Lords' Views

These quotations are from the opinions given in the House of Lords in the *Smith's Potato* cases.

Lord Porter:

. . . 'I should myself draw a marked distinction between accounts made up on the purely trading basis and those which are prepared for and accepted by the Inland Revenue. If there were no obligation to ascertain and pay either of these taxes, there would be no necessity for making up accounts on income tax principles, it would suffice to make up the ordinary commercial accounts. The computation of accounts for tax purposes is therefore not directly associated with the carrying on of the business. It is an obligation imposed upon the company for another and extraneous purpose, that is, for the purpose of ascertaining the tax to be paid out of profits. It is not, at any rate directly, undertaken for trade purposes but to satisfy the Revenue authorities.

'It is true that as a matter of convenience the cost of making up accounts for the Inland Revenue is allowed by the authorities as a deduction from profits, as is the cost of making up the strictly business accounts of the trade, but this is not a matter of principle but of expediency. The two duties overlap and in practice are almost indivisible. Moreover it is of advantage to the Revenue to have the figures required for their purposes carefully and accurately made up. Strictly, however, I think the expenses should be divided, and any additional cost of making up Revenue accounts should be disallowed in determining the allowable deduction for income tax purposes, but the advantages of allowing both to be deducted as a practical measure outweigh the disadvantages, though the result may not be strictly logical. But no such illogicality has to be faced when the sum which is alleged to be deductible is not the cost of accountant's work in ascertaining trading profits, but the expense of an appeal to the Board of Referees for the purpose of discovering the true measure of profits for tax purposes only. Such expenditure is incurred directly for tax purposes and for nothing else, though it may indirectly affect both the amount available for distribution to the proprietors of the business and that proper to be put to reserve.'

Lord Simonds:

'For a long period of years large sums of money have been devoted to the litigation of income tax claims – the most acute minds of the legal and accountancy professions have been at the service of the taxpayer – yet the claim that such money was expended wholly or exclusively for the purpose of the trade appears never to have reached a Court of law. The reason is not far to seek. It is that neither the cost of ascertaining taxable profit nor the cost of disputing it with the Revenue authorities is money spent to enable the trader to earn profit in his trade. What profit he has earned, he has earned before ever the voice of the tax-gatherer is heard.

'. . . I do not doubt that as a practical matter

the Revenue authorities allow accountancy charges as a deduction in computing profits, both because such charges are necessary for trading as well as tax purposes and it would be vexatious to distinguish between them, and because they must find their own task an easier one if they are dealing with professional men who speak their language and understand their art. I do not think it necessary to decide how far in this direction the Revenue authorities are bound to go.'

An Extreme Proposition Discussed

Lord Normand:

'Every trading company must keep books of account and these books are used by the accountants for the purpose of making up the commercial profit and loss account. The accountants may use that account by applying to it the modifications which income tax law requires in order to bring out the profit for income tax purposes, and they may have to negotiate with Inland Revenue officials in order to justify their account of profits and perhaps to obtain a correction of an assessment. It will also be necessary to prepare an account showing the amount of the distributable profits after making provision for the income tax liability. As the first and last of these accounts are among the purposes of the trade, the taxpayer may say that the whole accounting process, including even the prosecution of an appeal in order to determine the correct income tax assessment, is carried out for the purposes of the trade, and it may be added that the proper conduct of the trade requires that the assessment shall be correct. On the other hand, it may be said that there is in strictness no part of the accounting process which is not directly or indirectly concerned with income tax liability and that, as the payment of income tax is not a purpose of the trade, none of the costs incident to the accounting process are laid out exclusively for the purposes of the trade. That would be an extreme and, I think, an untenable proposition. The Inland Revenue's contention in these appeals did not go nearly so far. It was that the costs and expenses of appeal proceedings before the Commissioners of Inland Revenue or the Board of Referees, and from them to the Courts, are not laid out exclusively for the purposes of the trade and are, therefore, not permissible deductions. The line drawn by the Inland Revenue would allow deduction of the costs incurred in negotiations with their officers before an appeal is taken, or where no appeal is taken, either as a concession to the taxpayer or as a practical and convenient settlement of a disputable point.'

Conclusion: Revenue Practice

The foregoing indicates the legal position, but this is not necessarily strictly insisted upon by the Revenue in all cases, and in practice some slight departures may be made. Current practice may be summarized as follows.

Accountants' charges for preparing accounts and tax computations and agreeing them with the Revenue are allowed, but not the expenses of an appeal. Expenses of contesting a decision or direction of the Commissioners of Inland Revenue, the Board of Referees or the Special Commissioners are also disallowed, except that the costs of a successful objection to a surtax direction made on a company by the Special Commissioners under Section 245, Income Tax Act, 1952, may be allowed. The expenses of appeals against income taxes and other taxes of an annual nature imposed abroad on foreign businesses and branch businesses are allowed in computing the taxable profits of a resident in this country.

Where there is a back duty investigation and settlement, the expenses of preparing accounts and computations based on those accounts are allowed, but not the expenses of negotiating a settlement. When, however, the latter are trifling, or when the total accountancy charges may be regarded as not exceeding what the taxpayer would have had to pay if he had had proper accounts prepared year by year, the whole expenditure may be allowed, but it will not be spread over the years covered by the settlement. The above is subject to the overriding point that if the investigation has involved formal attendances before the Appeal Commissioners, any expenses specifically appertaining to such proceedings will be disallowed.

Where a taxpayer has had his accounts and tax computations prepared and his liability agreed with the Revenue in the normal course, and later has the computations revised by taxation experts, the Revenue may object to the deduction of the fees charged by the experts, unless the amounts involved are comparatively small (see point (*b*) established by the *Smith's Potato* and *Rushden Heel* decisions).

It was observed by the Royal Commission on the Taxation of Profits and Income, in their 1955 report, that the cost of preparing taxpayers' returns was indirectly allowed in the cost of preparing accounts. Accountancy charges for preparing a Schedule A maintenance claim may be included in 'management' expenditure in such claims.

Annual subscriptions to accountancy bodies are allowed, but entrance fees (unless trifling in amount) are normally disallowed as being of a capital nature.

Rhythm in Division

by FRED T. NEELY, C.P.A.

THE exciting qualities of the Arabic digits are for many people like ancient treasures that have been long hidden by the dusty blankets of lost years. As the surprising behaviour of familiar numbers unfolds in a rhythmic parade, the old dullness of division is touched with a new magic.

Among the digits, 5 is a very simple fellow. Even people who avoid numbers know that a quantity of any size that ends in 0 or 5 is exactly divisible by 5.

The well-known fact that any and all even numbers are divisible by 2 has a very simple explanation: 10 is exactly divisible by 2. It follows then that since that part of every whole number less the digits of the units column must amount to 10 or some multiple of 10, the entire number is divisible by 2 without a remainder if the digit of the units column is 0, 2, 4, 6, or 8.

Four is a number of the 2 family, being its square. Since 100 is exactly divisible by 4, any multiple of 100 is also exactly divisible by 4. Therefore, any number of any size that is exactly divisible by 100 (that is it ends in 00) is divisible by 4 without a remainder. It follows then that if the last two digits on the right (those of the units and tens columns) are exactly divisible by 4, the whole number is exactly divisible by 4.

The Number Eight

Eight will exactly divide any number which is rounded off to even thousands, be it of astronomical size, since the number will be a multiple of 1,000 which itself is exactly divisible by 8. It follows then that any number is exactly divisible by 8 if the three digits of the hundreds, tens, and units column are divisible by 8.

Any numbers that are not exactly divisible by 2, 4, 5, and 8 will resolve themselves quickly into determinate decimals if the division is continued through the addition of zeros to the numbers being divided. Divide any odd number by 2, and there is a remainder of 1 Add a zero for continued division and ·5 is added to the whole number of the quotient. A whole number that is not exactly divisible by 5 will have a remainder of 1, 2, 3, or 4. Addition of a zero for further division gives a fraction in the quotient of ·2, ·4, ·6, or ·8. A whole number that cannot be equally divided by 4 must leave 1, 2 or 3 as a remainder. Two zeros must be added to convert the fractions of the quotient $\frac{1}{4}$, $\frac{2}{4}$ or $\frac{3}{4}$ to the decimals of the quotient ·25, ·50 or ·75.

Whole numbers that can not be exactly divided by 8, have remainders of 1 to 7. Adding three zeros and continuing the division, the resulting fractions are ·125, ·250, ·375, ·500, ·625, ·750 or ·875 which are the decimal equivalents of the proper fractions $\frac{1}{8}$ to $\frac{7}{8}$ inclusive.

Peculiar Precision of Seven

The digit 7 is the 'odd man out' among the group of digits. Although the behaviour of the 7 seems at first glance to be puzzling, it is nevertheless possessed of a peculiar precision that evokes an astonished admiration on closer acquaintance.

If all consecutive whole numbers from 1 on out to the borders of infinity could be listed, every seventh number would be exactly divisible by 7. Half of these numbers would be even. Half would be odd. The first ten multiples of 7 are 7, 14, 21, 28, 35, 42, 49, 56, 63, and 70. All the possible successive listings of multiples would have the same final digit of the unit column, 7, 4, 1, 8, 5, 2, 9, 6, 3 and 0. A rearrangement of the first ten multiples of seven shows that all digits are represented in the final unit of the listing of multiples: 70, 21, 42, 63, 14, 35, 56, 7, 28, 49.

The numbers that cannot be exactly divided by 7 have, as the final part of their quotient, the fractions $\frac{1}{7}$, $\frac{2}{7}$, $\frac{3}{7}$, $\frac{4}{7}$, $\frac{5}{7}$ and $\frac{6}{7}$. The conversion of these fractions into decimals gives a good illustration of the intriguing pictures which fascinated observers of number patterns may encounter.

Converting $\frac{1}{7}$ into a decimal gives ·142857-142857142857 which continues with a never ending repetition. The other fractions likewise convert into repetitive expressions. Expressed in six digits, $\frac{1}{7}$ is ·142857. Note that $\frac{2}{7}$ is ·285714 which are the same digits of the $\frac{1}{7}$ decimal conversion arranged in a different sequence. Note the only possible decimals arising from dividing by 7:

Other articles by the author on the behaviour of numbers appeared in *The Accountant* dated December 28th, 1957 ('Visual Multiplication'), and August 9th, 1958 ('Easy Multiplication through Comparisons').

$\frac{1}{7}$=·142857 $\frac{4}{7}$=·571428
$\frac{2}{7}$=·285714 $\frac{5}{7}$=·714285
$\frac{3}{7}$=·428571 $\frac{6}{7}$=·857142

In the decimal resulting from dividing by 7, six digits are represented – all of them except the zero and the family of 3, that is, 3, 6 and 9. In this division or conversion, it is only necessary to remember the decimal fraction of ·142857. When one of the other five fractions is computed, only the first digit of the decimal quotient must be determined. In converting $\frac{6}{7}$, 7 goes into 60 eight times. Pick up this number and write as listed in the fraction ·142857; that is, in the same order starting with ·857, picking up then the first part of the sequence making ·857142. In no fraction of 7 is a computation necessary except for the first number. Then the other numbers are copied in sequence.

Three – The Acrobat

Three is an acrobat. Any multiple of 3 can be torn down and rearranged in any possible way and the number will still be divisible by 3. The digits used in writing the number will always add to a total of 3 or a multiple of 3.

Look at the following list which shows all of the two digit multiples of 3:

12, 15, 18, 21, 24, 27, 30, 33, 36, 39, 42, 45, 48, 51, 54, 57, 60, 63, 66, 69, 72, 75, 78, 81, 84, 87, 90, 93, 96, 99.

A multiple of any number is, of course, exactly divisible by that number. Note the added unique qualities in the numbers of this chart. Turn any one of these numbers around. It is still divisible by 3. This list of multiples of 3 could be extended as 102, 105, 108, 111, 114, 117, and so on, out beyond the farthest distance and the digits used in writing them would always add up to 3, 6, 9, or some other multiple of 3.

Look at the number 15. Turn it into plastic clay and stretch it out or remould it in any way and 3 is still an exact divisor. This has a very simple explanation. On the first line of the illustration below, the unit digit of the number 15 is progressively decreased by 1 and the digit of the tens column is increased by that amount. The increase is one ten less one unit (10—1) or 9. Below this line, the numbers are stretched out by changing one unit to the value of 100, 1,000, 10,000 or 100,000 with a consequent increase of the number by 99, 999, 9,999 and 99,999.

15	24	33	42	51
114	123	132	141	150
1,113	1,122	1,131	1,140	
11,112	11,121	11,130		
111,111				

The working of the rule as explained above will apply to any number which exactly contains 3 as a factor; that is, one into which 3 can be divided without a remainder. The numbers can be written in reverse; any digit can be reduced if another digit is correspondingly increased; any multiple of 3 can be added to the number by placing it before or after the number or by inserting it between any of the digits of the number. Any number of zeros can be inserted anywhere without upsetting the divisibility of the number by 3.

Any even number that is divisible by 3 without a remainder is divisible by 6. Thus, if the sum of all the digits in a number is divisible by 3, it is divisible by 6 if the number is even.

The Pattern of Nine

Nine, the square of 3, partakes of its magic qualities. A number that is divisible by 9 is always composed of digits that add up to 9 or a multiple of 9. It may be written in reverse, as for instance, 18 as 81, or 135 as 531; and 9 will still be an exact divisor. Or the digits of 135 may be written as 153, 315, 351 or 513 and will still be divisible by 9 without a remainder. Any digit of a number divisible by 9 may be added to another digit of the number, and it will still leave 9 as an exact factor. For instance, take the number 315. Eliminate the 3 by adding to 1 and the number is 45. Add the 4 and 5. The sum is 9. Convert the 9 into the following arrangement of digits, 18, 27, 36, 45, 54, 63, 72 and 81 and there is shown a familiar pattern of the multiplication table. The total of the digits in any of these numbers may be transformed into 111,111,111 or as 333, or may be shifted to the right or left as 100,000,008 or 170,000,001 and the magic mass is still susceptible of division into 9 equal parts.

Watch the following patterns of division.

100,008 divided by 9=11,112
200,007 divided by 9=22,223
300,006 divided by 9=33,334
400,005 divided by 9=44,445
500,004 divided by 9=55,556
600,003 divided by 9=66,667
700,002 divided by 9=77,778
800,001 divided by 9=88,889

If the intervening zeros between the positive digits are extended, there will be an equivalent extension in the repetitive digits of the quotient. Little portraits like these of numbers in movement offer to those who look, constantly recurring examples of automatic calculations.

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The Potentialities of a Computer in the Smaller Office

by G. A. RANDELL, B.Sc.,
Operations Research Department, J. LYONS & CO. LTD.

I SHOULD like first to get clear between ourselves what we mean by a 'computer'. The word is applicable to all sorts and sizes of machines that can carry out mathematical work. As far as commercial users are concerned, the greatest potentialities of these machines rest with those which can carry out sizeable portions of routine clerical work, automatically, and with the minimum of human intervention, in other words, an 'automatic office'. I will briefly describe a machine that is in accordance with this definition, with particular reference to the facilities of the automatic office 'LEO', as this is the machine with which I am most familiar.

A computer consists of five main sections, input, store, arithmetic unit, co-ordinator and output. The machine works by first taking into the store, through an input device, instructions concerning the job to be done. This is called the programme.

Then the numerous and various items of data, on which, and by which, work has to be carried out are taken automatically and concurrently into the machine through separate input channels, by means of punched cards, paper or magnetic tape. Output is also through independent and concurrent channels. Printed results are produced for immediate use, and punched cards or magnetic tape record other results either for use in other programmes, or to provide 'brought forward' information for the next occasion the job is carried out.

The printed results are produced on continuous stationery, and the output forms can vary greatly as these specimens show. [Here the lecturer exhibited printed forms of van stocks and sales for Ever Ready Co Ltd; pay slips for Kodak Ltd; group pension fund schemes for the Eagle Star Assurance Co Ltd; share yields for stockbrokers.]

These pre-printed forms show that the potential of such equipment is being realized now by some well-known medium-sized companies.

Benefits

What benefits are available from using an 'automatic office'? I have listed five, some of you may think of more.

(1) Direct savings in clerical labour costs.
(2) Indirect savings in clerical overheads.
(3) Releasing space for other productive work.
(4) Results provided more quickly and accurately.
(5) More meaningful and useful information from the available data.

That is quite a rosy picture. But we should not lose sight of the fact that a computer is the most dim-witted, yet the most expensive clerk, we could hope to employ. At the same time, a computer happens to be rather faster than a clerk and will do precisely and consistently what you tell it to do.

A machine like the one I have described would cost in the region of £130,000. Unless the work is there to keep it gainfully employed (it will carry out on average about 1,500 instructions a second) it is difficult to justify the capital outlay, the work of training staff to use it and arranging maintenance for it. If the small to medium-sized firms cannot really justify spending so much money on purchasing or hiring such machines, how, then, can they make use of the 'automatic office'? There are a few ways.

At the present time many organizations, particularly those that are expanding, make use of a punched-card installation. There are computers available, rather smaller than the one I have described, which can be incorporated in such installations. Such a computer has the effect of making the installation much more arithmetically sophisticated. It increases the scope of the work that can be done and it can speed the work already being carried out. However, such an installation, incorporating a small computer, would not be in accordance with the definition of an 'automatic office' that I proposed at the beginning of this paper, i.e. a machine which can carry out sizeable portions of clerical work with the minimum of human intervention. Although quite extensive, the potentialities of such installations are not so great as those of the automatic office.

Hiring Time

One way in which the benefits of an 'automatic office' can be gained is by sharing it with other companies. Some companies are studying this step at the moment but it has not yet been taken. You can all see, I feel sure, the difficulties inherent in such a step. It will demand a great deal of co-operation and friendliness between the companies concerned, but it is possible.

I believe that the most practical, and undoubtedly the most painless way for the smaller business to make use of these machines is by hiring time on one of the manufacturers' own installations. Many manufacturers have set up a data processing service. By using such a service the burden of programming the initial job and the day-to-day maintenance, operation and staffing of the machine is left to the manufacturer. Of course, this sort of service can be

A talk given at a meeting of the Association of Scottish Chartered Accountants in London.

costly but, nevertheless, I believe it is the most practical and convenient way for the smaller business to make use of this new equipment.

How does an organization go about using these services? The first thing that has to be done is to decide on the possible computer applications. The well-established, but time and money-consuming, routine jobs are an obvious first choice. But a close second is the task of producing statistical analyses of trading or production. The sooner such statistics are available, the more powerful and effective they can be. Then there are the irregularly occurring jobs, the incidence and volume of which are difficult to predict, but which require trained staff to carry them out. This type of job is usually clearly defined and can be conveniently and profitably made into a computer application.

Once it has been decided that a possible computer application is present, the next thing to do is to contact an experienced computer manufacturer and request an appraisal of the selected jobs. If the appraisal is a positive one, the next step is the production of a job plan. The appraisal stage is usually carried out without charge by the manufacturers, but a charge is normally made these days for job plans.

Worth-while Outlay

I suggest it is very worth while to spend several hundred pounds on a comprehensive job plan, for the following reasons. First, from a close study of a clerical routine, a new and usually more efficient method of carrying it out is evolved. This new method may lend itself to being carried out by other than computer methods, for example, by accounting machines or punched cards. Once the job plan is produced it may be found that appreciable savings can be realized without resorting to a computer. This is, in effect, using the computer manufacturer as a business consultant, and their services are therefore worth the fee. Secondly, as considerable expenditure is liable to arise if you go beyond the job plan stage, it is necessary and desirable that an adequate and accurate decision is made, and to make a sound decision it is worth paying money to get at the facts. The job plan should show how the job can be carried out on the 'automatic office'; how long it will take, and how much it will cost to run. On these facts, the decision can be made on whether or not it is worth going ahead.

After the job plan the next step is to compile a detailed job specification from which the computer programmes can be prepared. This is skilled, time-consuming work and even with the guidance and active help of the computer manufacturer will take several months to complete. Programmers can then translate this into the code used by the particular computer and from this the completed programmes are obtained.

Once the programmes have been prepared, the 'home stretch' comprises a parallel run of the job on the computer with the existing system. A frequent result of this test is the bringing to light of errors and anomalies in the existing system!

The final stage is to make detailed arrangements with the service station for the timing of the submission of the data and the delivery of the results. Then, it is hoped the job will run smoothly and with monotonous regularity, the only disturbance being the monthly bill from the service station! A minor disturbance, however, for costs are based on running time, charged at £35 to £50 an hour[1], and a computer can do a lot of work in that time. It is, then, a relatively cheap way of getting clerical work done, even bearing in mind that a few thousand pounds have had to be spent to get to the final stage.

What I have described are the stepping stones from the traditional methods of clerical work on one side to the lush meadows of computer applications on the other.

Pitfalls

There are, as in most things, pitfalls for the unwary, and as I want to present a picture as complete as possible within the limits of a short talk, I will point some of these out to you.

If a task is difficult, its difficulty can frequently be defined in terms of the chances and consequences of being wrong. One of the main pitfalls in getting a job on to a computer is underestimating the work involved in getting a clerical job efficiently programmed. I say 'efficiently' advisedly. It is relatively easy to get a computer to produce the required results from normally occurring data. Unfortunately, in clerical work, normally occurring data does not occur all the time. Therefore it is necessary to build into any programme provision for all possible contingencies. Here is an example.

Recently a suite of payroll programmes was completed for an organization numbering just over a thousand employees. The job was studied in minute detail and the programmes prepared. These were tested by trial data and parallel runs and found to be satisfactory. Details of all the employees were progressively transferred from the old payroll system to the 'automatic office' system. There is, in a computer payroll system, a special 'take-on' programme which prepares a 'personal details' punched card for each employee. This card carries all the personal and 'carry-forward' information for each person; information such as his company code number, age, sex, marital status, department, date of joining the company, rate of pay, P.A.Y.E. code number, gross pay to date, tax to date, allowances and deductions, and much other information, according to the requirements of law and of his employers. This information is not only used for producing the

[1] Some service centres charge additionally for data preparation – usually of the order of 4s per 1,000 characters punched.

weekly pay slip, but also for labour statistics and income tax returns.

Naturally, provision is made in the programme suite for amending those personal details that are subject to change, such as rate of pay, P.A.Y.E. code number, and personal allowances and deductions. However, on this particular occasion there suddenly came a request to change an employee's sex on a personal details card! This was something that the programmers had not made allowances for, and being interested, they made discreet inquiries. It was discovered that when the employee's personal details sheet had been completed there had been a clerical error – he had been recorded as 'Miss' instead of 'Mr' and this mistake had gone forward into the computer take-on programme. Of course, it is not possible to arrange for even a computer to 'change' a person's sex! They are functionally rigid machines and provision for flexibility must come in the planning of the programme.

Not Infallible

'Automatic offices' can be efficient and useful machines, and are potentially very fast and accurate, but they are not infallible. They *can* make mistakes. Therefore it is necessary to build into the programmes checks and reconciliations which will provide immediate confidence in the results and allow for adequate audit by the company's accountants. Therefore it is essential to take advice from the company's own accountants before preparing the programmes. Of course it helps a great deal if the company's accountants have a sound appreciation of computer techniques so that they can take a practical part in planning the programmes. This appreciation can usually be obtained by attending computer manufacturers' courses. A 4½-day appreciation course is very suitable for a senior accountant to get an understanding of the fundamentals of computer work, whilst the five-weeks' programming course is suitable for the junior accountant who wishes to make a detailed contribution to the programmes. In practice it is just not enough to have built-in checks in the computer circuitry; not only must the results be accurate but they must be seen to be accurate, and to achieve this requires understanding, forethought and skill.

Another pitfall, and one to which some of our American friends seem susceptible, is to be over-impressed by the technical capabilities of the equipment. The value of a computer application cannot be measured in terms other than the actual usefulness of the results. In other words, no matter how technically perfect the system is, it is of no greater worth than the results which are produced. As long as the job is wholly and consistently carried out in the time required, it does not matter how technically elegant the equipment is. That consideration is only really relevant when the job has been selected and appraised and difficulties arise in getting it on to a particular machine or doubts arise on technical reliability. If the machine is not large or fast enough, then there are two courses open; either break the job up into smaller runs or use another machine. Far too many people spend too much time pondering over technical specifications when they should be considering the basic clerical systems to be applied to the equipment.

Human Element

A further pitfall, and a serious one, is to forget the human element in introducing a new system. The thing which really upsets people is fear of the unknown. So, as soon as the use of a computer is proposed, it is extremely important that all the staff should be informed of the aims of the computer application and the means that are intended to achieve them. The staff can be honestly and sincerely told that, although the computer does do the work of clerks, it does not do away with clerks altogether. There is still routine work to be done, mainly in the preparation of data for the machine, which can be carried out by those clerks who are happiest when doing that sort of work. For clerks with more ability, other jobs of a more demanding and rewarding kind will be available, not only in acting on and channelling the results and additional information that a computer gives, but also in other parts of the organization. It is just not true that computers will bring about wholesale redundancy amongst clerical workers. The demand for clerical staff in recent years has been increasing and is still increasing at a rate in excess of that which the purchasers of electronic computers are finding themselves able to get productive work on to their installations. Moreover, the introduction of computers into the offices of industry and commerce and into government departments is bringing about new occupations, such as programmer, computer operator, data preparation assistant and computer engineer, which are quite different from the traditional types of office jobs. These new occupations provide opportunities for the expression of a wide range of human capacities and inclinations and with skilled selection and training methods can be filled by existing company and departmental staff as well as by young people just beginning their careers.

A most important point arising from the staff relations problem is gaining the active co-operation of the staff in the office that is being directly affected by the computer application. If the staff are fully informed of the proposed work for the computer and their active co-operation is gained, then obtaining detailed information necessary for the planning and programming of the computer system is a so much easier and happier task.

I hope that I have painted a practical picture of a computer's potentialities. It is not easy, nor is it cheap, to use this new and exciting equipment. But in terms of increased business efficiency and reduction of human drudgery I believe that the benefits which the 'automatic office' can bring are exceedingly worth while.

The Accounting World

GERMANY

Application of Data-processing Systems

IN 1957, the Institut der Wirtschaftsprüfer set up a specialist committee to consider questions of works organization connected with mechanization and automation. This committee has concerned itself mainly with book-keeping and recording methods where use is made of punched-card machines or computers, these aspects being, of course, of considerable significance in view of the auditors' certificates given in respect of the annual accounts.

In order to make the profession in Germany better acquainted with the problems arising in this field, lectures and demonstrations have been organized jointly with some of the well-known manufacturers of punched-card and data-processing machines. Lectures and demonstrations have been held in Stuttgart and Cologne, while earlier this year a further series was held in Frankfurt-on-Main, on which occasion the computer centre Univac Europa was inspected.

The lectures so far held have already shown that the use of data-processing machines makes the alteration of conventional forms of records likely. It is therefore necessary, particularly for members of the profession engaged in the audit of business firms, regularly to follow up new developments and, if necessary, to exercise influence upon them.

Punched-card and data-processing machines can only be used economically in large business firms where a very considerable number of book entries and of other business records occur. (This does not apply as a rule to medium and small businesses where automatic accounting machines and accounting registers may be more suitable expedients.) Information relating to the progress meanwhile achieved, as well as to the applications of these machines in business book-keeping, stock control, payroll and cost accounting, has been supplied in a recent series of lectures held by the Institut der Wirtschaftsprüfer at Essen, when German and foreign manufacturers demonstrated the possible applications of the various machines.

NETHERLANDS

Budgeting at Philips

AN interesting description of budgeting practices in Philips N.V., the international electrical and electronics group, is given in a recentissue of the *Bulletin des Experts Comptables de Belgique* (Brussels).

A policy of decentralization is a feature of this organization, but sales and general administration are both directed from head office, so that information must be centralized there. In order to provide this information a variety of methods is used, ranging from electronic computers to elementary manual procedures. A chart of accounts is applied throughout the organization, which enables operating results to be localized in relation to departments, services, and product groups.

Daily reports of production, scrap, etc., are prepared for the manufacturing divisions. Three times each month the sales divisions are provided with turnover figures. Monthly operating statements are prepared for factories and sales departments, with profit and loss accounts and balance sheets attached. Auxiliary departments are supplied with quarterly accounts, and annual accounts are prepared for the group as a whole.

The budget is an instrument of control based on localization of responsibilities. It includes fixed and flexible budgeting and budgeting for periods of differing length. The principal budgets are: sales, production, profit, capital investment, stocks, debtors, finances and forecast balance sheet. Auxiliary budgets are prepared separately for the departments such as: management, administration, garage, purchases, stores, buildings and so on.

Control is exercised by comparing forecasts with results, in both cases ascertained on the basis of a careful study of the economic situation combined with a detailed examination of the structure of the business. Short-term budgets are supplemented by long-term plans of four years and more, but whereas differences between budget and actual are fairly closely followed, for short period budgets the longer the period the more it is a matter of verifying forecast trends rather than actual events.

SOUTH AFRICA

Return on Shares

IN a leading article in the May issue of *Commerce and Industry*, the official journal of the Union's Department of Commerce and Industry, a study is made of the return on shares negotiated on the Johannesburg Stock Exchange during 1957 and 1958. It was found that the return, expressed as a percentage of the market price, increased in the case of shares of gold mines up to October 1957, and on those of mine financing houses up to May 1958, while the return on the shares of coal mines and industrial undertakings which manufacture food, iron and steel products and building materials, as well as commercial concerns, showed a declining trend. From November 1957 and June 1958, respectively, the return on gold mining and financing house shares gradually declined, while that on the shares of undertakings which manufacture iron and steel products and process food began to increase. The

return on the shares of coal mines, trading companies and the manufacture of building materials, however, continued to show a declining trend.

A comparison is made with movements on the stock exchange in the United States of America during the same period where, from the second half of 1957, the return on ordinary shares, expressed as a percentage of the market price, began to increase as the price of shares declined. In the case of bonds, the opposite trend occurred from the end of 1957 and there was an increased demand for them. During the second half of 1958, the demand for bonds declined, so that the return increased, while the demand for ordinary shares once again began to show a rapid advance. It is considered that these movements can be ascribed to changes in economic activity: investors preferring fixed-interest bonds during recessionary periods, switching to ordinary shares which offer a chance of larger dividends and capital appreciation in times of inflation.

In South Africa, the shares of gold-producer mines fulfil the same role as bonds in the U.S.A., since in times of recession the fixed price of gold, together with the possibility of a lowering of production costs, engender the expectation of higher dividends. During periods of inflation, the possible decline in gold-mining profits will tend to induce investors to prefer ordinary commercial and industrial shares. However, it is pointed out that, for historical reasons, the ordinary investor in the Union generally thinks of gold shares when he talks of shares, and consequently not much interest is as yet being displayed in industrial shares.

The prices of gold shares are extremely sensitive to rates of interest and cyclical economic conditions in overseas countries as well as to the flow of capital to and from the Union. The high rate of interest which prevailed in Britain during 1957 and at the beginning of 1958 was undoubtedly the most important reason for the net outflow of capital from the Union during that period. The lower rates of interest in Britain during the second half of 1958 and the possibility of a recession in certain countries was largely responsible for a net inflow of capital during the remainder of that year. The capital movements were, therefore, mainly the reason why the return on gold shares increased during 1957, while the turnover of all shares on the stock exchange declined, as well as for the fact that the opposite occurred in 1958, particularly in the second half of that year.

Consideration is given in the article as to whether the accelerating rate of economic revival in overseas countries will result in a decrease of foreign investors' interest in gold-mining shares. It is pointed out that in the United States in particular, industrialists are finding it increasingly difficult to pass their higher production and selling costs on to the consumer, and the decline in profits in consequence may make American industrial shares less attractive. By contrast, although the price of gold is fixed, an increase in production costs will cause only a slight decline in profits. For example, in one Orange Free State gold mine the costs and profit per ton are respectively 62*s* and 139*s* 6*d*, and a 10 per cent increase in the costs per year would cause a decline of only 6*s* or approximately 4.4 per cent in the profit per ton. This factor, coupled with the hope that the price of gold will be raised at some time in the future, should make gold-mining shares still very attractive to overseas investors.

FRANCE

Misleading Mathematics

EVERYONE knows, writes a contributor in *Le Lien Comptable* (Bordeaux) that a half-empty glass and a half-full glass are very much the same thing. If one possesses a mathematical turn of mind, or rather, if one believes that to be the case, this fact can be expressed by means of a formula: $\frac{1}{2}F=\frac{1}{2}E$, and then by showing that $2\frac{1}{2}F=2\frac{1}{2}E$, one can prove that $1F=1E$, that is, that a full glass equals an empty one! Which only goes to prove that it is a mistake to employ a formula when a simple argument will do.

The writer M le Herisson quotes Professor Allais, of the Paris Mining College as saying: 'Today the danger does not lie in a systematic and obstinate refusal to apply mathematical techniques to economic problems; it lies in regarding economic problems as an excuse to play at mathematics. . . . The essence of economic problems is, that they are economic – not mathematic. . . . The road to progress in the near future does not lead us to cunning exercises in mathematics, but to experimental work in numerical problems.'

The writer goes on to examine some of the freak results produced by ratio analysis. As soon as a formula is arrived at, thought ceases and the most alarming figures can be accepted without challenge. One ratio which has been proposed reads:

$$\text{Stock turnover} = \frac{\text{average stock on hand}}{\text{cost of sales}}$$

which means that the more one sells, the slower stock is turned over.

With absolute figures, errors of judgement are easily remarked and corrected, so that all graphs and charts should be accompanied by the precise data used in their preparation. The accountant is, above all, a man with common sense – a moderate man. He is poorly equipped to defend himself against all the specialists who try to 'throw powder in his eyes'. But he may take comfort; graphs, ratios and elaborate formulas will never replace his accounts. There are thirty-six ways of indicating 'fifty', concludes the writer,

$$\frac{100}{2} \text{ or } \frac{10^2}{2} \text{ or } \sqrt{\frac{10^3\times 5}{2}} \text{ or } \frac{5^2\times 2^2}{2}$$

and so on, but the best, and the one which is recommended to all accountants and book-keepers, is quite simple – 50.

Weekly Notes

New Scottish Institute Insurance Scheme

THE Council of The Institute of Chartered Accountants of Scotland this week announced the particulars of a group scheme for disability insurance, to start on November 1st, 1959, for the benefit of members of the Institute, persons in the employment of practising members of the Institute and employees of the Institute. Entrants must be within the age limits of 20 and 60. Cover may be up to a maximum of £50 a week, but is limited to three-quarters of normal earnings. Contributors may elect either to receive full benefit from the outset of disability or to allow periods of 4, 13, 26 or 52 weeks to elapse before becoming eligible for benefit. Payment of benefit will continue throughout the period of disability until the previously selected expiry date for participation – at age 55, 60 or 65. The Council considers that the deferred benefit tables are generally the most suitable choice as most people have sufficient private funds to tide them over the initial period of illness.

Being on a group basis, the rates of premium are especially favourable and another suggested advantage is that the insurers must continue the insurance without reducing the benefits or increasing the premiums for the full prearranged term so long as the member concerned remains eligible for the scheme. The presently quoted rates of premium are guaranteed for all benefits contracted for prior to November 1st, 1962. Supplementary benefits include capital sums payable on death for an annual premium of 16*s* per £1,000 or for injuries received (annual premium £1 per £1,000 insured).

A male joining the scheme at age 20 and electing to participate until age 65, has to pay an annual premium of £1 16*s* 9*d* to secure an immediate benefit payment of £1 per week. The premiums for similar benefit payments commencing 4, 13, 26 and 52 weeks after the outset of disability are £1 2*s* 8*d*, 16*s* 1*d*, 12*s* 6*d* and 10*s* 1*d*. The five corresponding premiums for a male aged 60 are £7 7*s* 4*d*, £5 11*s* 5*d*, £4 4*s* 10*d*, £3 7*s* 8*d* and £2 15*s* 7*d*. For females, the rates for the same benefits are increased by 50 per cent. Rates for those wishing to opt out of the scheme at age 55 or 60 are available on request. The Council of the Institute has effected with The Century Insurance Co Ltd, the insurers, a master policy to secure all benefits.

Self-service Trading

THE total value of self-service sales in 1957, based on returns made in the Census of Distribution for that year, is estimated at £200 million, according to an article in the *Board of Trade Journal* for September 4th. In 1947 there were only ten self-service shops in this country, but by mid-1957 the number had grown to 3,500 and there are now believed to be more than 5,000. Of the 1957 total, rather over 2,000 were branches of co-operative societies, while the next largest category, consisting of grocery branches of large multiple traders, totalled 771.

The commodities handled in self-service shops are mainly groceries and other goods; the self-service shops tend to be a good deal larger than most other provision stores and hence the proportion of grocery and provision sales which they handle is higher than would be suggested by their numbers alone. In 1950, sales of self-service shops reported in the Census were only £17 million, compared with total sales by grocers and provision dealers of over £1,200 million. By 1957 the share of the self-service shops had grown to nearly 10 per cent and it is at present estimated at 15 to 16 per cent. Apart from groceries, the most important growth in self-service sales since 1957 has been in pre-packed meat, but the system has also spread to a few greengrocers, stationers and hardware shops.

The *Board of Trade Journal* gives a comparison of wage and salary costs for twenty-nine multiple grocery organizations operating both self-service and counter-service shops. While the average wage costs as a percentage of sales was 6·5 per cent for the former against 8·1 per cent for the latter, the advantage does not always lie with self-service, for which the range was 4·5 per cent to 9·2 per cent compared with 5·7 per cent to 11·6 per cent for counter sales.

Control Over National Expenditure

IN the latest issue of the *Income Tax Payer* (August 1959), Dr Paul Einzig argues that there has been a serious decline in Parliament's control over the nation's finances and that the eve of a General Election is the time for taxpayers to make themselves felt. Concentrating his attack on the relinquishment, since the beginning of the century, of the scrutiny of estimates on the floor of the House, the author sees further danger to taxpayers' interests in the report of the Select Committee on Procedure. He attacks, in particular, two recommendations of the Select Committee: that at least part of the Finance Bills should be sent before a Standing Committee instead of being taken on the floor of the House in the Committee stage; and that on supply days on which supplementary estimates are considered, the scope of the debate should be the same as on supply days on which the main annual estimates are considered, that is, the estimates are to be passed formally and the debates should be on broad generalities.

The other side of the picture is that as a result of the growth in the business of Parliament, some means must be found of reducing the burden on members. Whether it would be physically possible under

present-day conditions to scrutinize and argue individual items of expenditure in the way that was done in the last century is open to doubt. But Dr Einzig certainly has a strong point in saying that today the majority of the electorate stands to gain more by increased spending than it stands to lose by increased taxation to meet the additional expenditure. There is, therefore, all the more need for taxpayers to make their views felt and press for greater control of national expenditure.

Retail Sales Higher

THE second quarter of 1959 saw a marked recovery in retail trade and this was fully maintained in July, the latest month for which statistics are available. These show that the total value of retail sales was 5 per cent higher than a year ago, about the same increase as that for the second quarter. In February and March, according to the *Board of Trade Journal*, the increase was only 2 to 3 per cent and this was almost entirely due to higher prices. In the second quarter of the year and in July, prices were either a little lower than or about the same as in the previous year and the rise in the value of sales therefore represented a corresponding increase in volume.

Sales by durable goods shops were about 24 per cent higher in July compared with an increase of only 12 per cent in the first quarter. Within this category furniture shops showed a rise of 17 per cent, but the good showing was mainly attributable to other goods, including radio sets, cycles and electrical and gas appliances for which sales rose by 33 per cent. Sales of clothing and footwear were about 4 per cent higher than a year ago, mainly due to increased sales by men's wear shops which rose by 5 per cent, while the women's wear group rose by 3 per cent. Sales by food shops were about 3 per cent higher and in this field prices in July were slightly higher than a year ago (accounting for about one-third of the increased value of sales) contrary to experience in most other fields.

Growing Coffee Surplus

ALTHOUGH the latest Board of Trade statistics show that in this country there has been a steady rise in the consumption of coffee per head over the last few years (no doubt aided by the establishment of Espresso coffee bars), the world's coffee growing industry is facing huge and increasing surpluses. The International Coffee Study Group, which was formed in June 1958, has been meeting this week for discussions as to how to deal with this surplus.

Once established, coffee plantations continue to yield for many years and short of destroying part of each year's harvest, as was done on a considerable scale in several pre-war years, virtually the only short-term method of regulating output in accordance with demand is by export restriction. The present over-production arises from excessive planting in the years 1949 to 1952 when the recovery of European markets after the war caused a temporary boom in prices. It has been aggravated by the fact that in the last three years United States imports of green coffee have been falling.

The South American growers believe that the situation can be brought into equilibrium by regulation of exports, but have hitherto not succeeded in securing the co-operation of the African producers. The latter have proposed a drive to increase coffee consumption in the principal consuming countries, to be followed by a thorough study of world coffee problems with the purpose of producing early recommendations for a long-term solution. They argue that export restriction alone will do nothing to curb production and by maintaining prices may even encourage production.

The world carry-over at the end of the 1958–59 season amounted to 36 million bags of 132 kg.; production in 1959–60 is forecast at a record figure of 56 million bags, and world exports will probably not exceed 40 million bags. It is reported that the Food and Agricultural Organization of the United Nations have already completed, at the request of the International Study Group, a comprehensive review of the world coffee economy and this may help the various producing groups to reach agreement on the necessary measures to achieve stability.

Civil Engineering Overseas

THERE was a very slight fall in the value of overseas contracts won by British civil engineers and contractors in the year ended March 31st, 1959. This must be considered a satisfactory result in view of the fall in prices of primary commodities and the recession in primary producing countries. New contracts won were valued at £115 million compared with £119 million in the preceding year. The value of work done in 1958–59 at £120 million was the highest for any of the last five years for which the Ministry of Works has been compiling these statistics.

A feature of the figures for new contracts won was a rise in the value of orders placed by 'other non-sterling countries' from £4 million to £17 million. The value of contracts won in non-sterling O.E.E.C. countries remained steady at £4 million, while contracts from dollar countries fell from £27 million to £25 million. The worst showing was in the sterling area countries where the value of contracts won fell from £84 million to £69 million.

The Ministry of Works considers that there should be good opportunities for British firms to expand their activities overseas as world economic recovery proceeds. In particular, they consider Africa a promising field, where over £40 million worth of work was carried out in Commonwealth countries in 1958–59. Work in the dollar area is largely confined to Canada, where contracts won by British companies have shown slight falls in each of the last two years.

Finance and Commerce

Property Accounts

THIS week's reprint gives the consolidated section of the accounts of St Martin's le Grand Property Co Ltd, which heads the group that through a subsidiary, Cheapside Land Development Co Ltd, last January acquired Winchester House in the City of London, well known as the venue for company meetings. The freehold and the property was priced at just on £1 million, the purchase being financed by an issue by Cheapside Land of that amount in 5¾ per cent first mortgage debenture stock.

In his statement with the accounts, Mr John B. Andrews, F.C.I.S., chairman of St Martin's, says there is no need for him to emphasize the importance of this building and its freehold in the heart of the City. It is a site, he says, with great development value, particularly in view of its frontage on the new Route 11, the first section of which across a blitzed part of the City was recently opened as 'London Wall'.

Another development, less in size, is in project, this is the plan to add an eighth floor to Adelaide House, the great building by London Bridge providing over 14,000 square feet of office space. This was planned some time ago but was delayed by the refusal of the Capital Issues Committee to sanction the necessary financial arrangements. Planning consent has already been obtained; the work is to start immediately and should be completed within twelve months.

The Other Side

THE other side of the Winchester House deal is seen in the accounts of The Trustees Corporation Ltd, issued shortly before those of St Martin's. The Corporation had made several attempts in the past to sell the property but had failed to obtain a satisfactory price without the freehold. Then came the opportunity to buy the freehold at a price of £410,390 including expenses.

The Trustees Corporation, under the chairmanship of Sir Edwin Herbert, is fundamentally an investment trust. The directors considered that in the course of a few years, a rebuilding programme would be necessary involving large capital commitments and considerable administrative responsibilities. Furthermore, with property management in these days a highly specialized business, they took the view that it would be better for the company to have the cash for disposal rather than the property to administer.

The income from the property is brought in to the Corporation's revenue account under 'Rent and other receipts from Winchester House', the figures being £20,443 for the year to May 31st, 1957,

ST. MARTIN'S LE GRAND PROPERTY CO. LTD. and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 1959

1958 £	1958 £		£	£
		Capital of Parent Company:		
		Authorised:		
£1,500,000		3,000,000 Ordinary Shares of 10s. each ..	.. £1,500,000	
		Issued:		
	1,152,000	3,000,000 Ordinary Shares of 10s. each, fully paid		1,500,000
	1,650,876	**Capital Reserves** (see Note 8)		2,456,934
		Revenue Reserves and Undivided Profits:		
75,000		General Reserve	80,000	
—		Amortisation Equalisation Reserve	29,377	
25,810		Profit and Loss Account	34,553	
	100,810			143,930
	2,903,686			4,100,864
	3,852	**Future Income Tax**		4,676
	2,871,876	**Debenture Stocks and Loans** (secured) (see Note 7)		4,434,395
	9,958	**Provision for Repairs and Renewals of Buildings and Plant** (see Note 2)		9,224
	107,148	**Interests of Minority Shareholders in Subsidiaries**		107,609
		Current Liabilities and Provisions:		
215,186		Sundry Creditors	140,355	
145,035		Taxation due or accrued to date (Nett) ..	128,868	
39,744		Proposed Final Dividend (less Income Tax) of Parent Company	64,312	
6,034		*Bank Overdraft*	—	
	405,999			333,535
	£6,302,519			£8,990,303

1958 £	1958 £		£	£
		Fixed Assets:		
	6,043,500	**Freehold and Leasehold Properties** at Valuation by Messrs. John D. Wood & Co. 31st March, 1959 (see Note 5)		8,390,750
	122,634	**Assets in Hands of Trustees for Debenture Stockholders** (see Note 6)		111,640
3,441		**Office Equipment** at cost	5,784	
256		*Less:* Depreciation	1,048	
	3,185			4,736
2,592		**Motor Vehicles** at cost	4,223	
768		*Less:* Depreciation	1,171	
	1,824			3,052
	6,171,143			8,510,178
		Investments:		
5,000		At cost—quoted .. .. (market value £81,874)	79,864	
—		Sinking Fund Policies at surrender value ..	84,411	
22,162		Holding of Debenture Stocks of Parent and Subsidiary Company held by fellow Subsidiaries .. (market value £23,479)	24,840	
	27,162			189,115
		Current Assets:		
43,488		Sundry Debtors and payments in advance ..	65,151	
—		Subsidiary Company not consolidated	3,431	
9,493		Stock on hand	9,481	
35,215		Work in progress and oncost less payments on account	46,831	
2,721		Loose tools and equipment..	2,990	
13,297		Cash at call, at bank and in hand	163,126	
	104,214			291,010
	£6,302,519			£8,990,303

ST. MARTIN'S LE GRAND PROPERTY CO. LTD. and its Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1959

1958 £		£	£
55,887	**Ground Rents**		61,621
94,935	**Rates, Maintenance and Service Expenses**		116,387
16,891	**Management and Administration Expenses**		21,149
	Directors' Remuneration (including Executives' salaries and pension contributions) (see Note 4):		
9,444	Property Companies	9,388	
3,248	Contracting Companies	3,889	
			13,277
2,608	**Staff Pensions**		3,000
908	**Fees of Trustees for Debenture Stockholders**		959
127,861	**Interest** (see Note 9)		154,871
610	**Depreciation of Office Equipment and Vehicles**		1,207
17,541	**Provision for repairs and renewals to Buildings and Plant**		16,733
	Taxation on Profit for the year after adjustments for earlier years:		
39,945	Profits Tax	24,839	
64,537	Income Tax	85,183	
			110,022
	Proportion of Profits (after charging Income Tax) attributable to:		
3,648	Minority Shareholders	3,901	
423	*Shares in Subsidiary Companies for period prior to acquisition*	—	
			3,901
88,339	**Profit of the Group** after charging Taxation		135,036
£526,825			£638,163

1958 £		£	£
511,857	**Rents and Fixed Charges**		618,479
1,070	**Investment Income**		1,072
11,400	**Trading Profit of Contracting Companies**		15,013
2,498	**Appreciation in surrender value of Sinking Fund Policies**		3,599
£526,825			£638,163

1958 £		£	£
	Transfers to Reserves:		
	Capital:		
4,759	Sinking Fund for Redemption of 4% First Mortgage Debenture Stock of a Subsidiary Company	4,926	
4,601	Sinking Fund for Redemption of 3½% First Mortgage Debenture Stock of Parent Company	4,830	
	Revenue:		
—	Amortisation Reserve of a Subsidiary Company	1,732	
—	Amortisation Equalisation Reserve of Parent Company	5,000	
2,500	General Reserve of a Subsidiary Company	5,000	
7,500	*General Reserve of Parent Company*	—	
			21,488
	Parent Company Dividends Paid and Proposed (*less* Income Tax):		
26,163	Paid Interim of 6% on £1,173,702 Share Capital	40,493	
39,744	Proposed Final of 7% on £1,500,000 Share Capital	64,312	
			104,805
	Balances carried forward:		
16,356	St. Martin's le Grand Property Co. Ltd.	16,815	
9,454	Subsidiary Companies	17,738	
			34,553
£111,077			£160,846

1958 £		£	£
88,339	**Profit of the Group** after charging Taxation		135,036
	Balances brought forward from previous year:		
14,115	St. Martin's le Grand Property Co. Ltd.	16,356	
8,325	Subsidiary Companies	9,454	
298	*Add: Debit Balance at 31st March, 1957, of a Subsidiary Company being wound up and not consolidated*	—	
			25,810
£111,077			£160,846

The Profits of newly acquired subsidiaries have been included from the date of acquisition.

Notes to the BALANCE SHEET, CONSOLIDATED BALANCE SHEET, AND CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. The Company has guaranteed:—
   (a) The £900,000 5½% Guaranteed First Mortgage Debenture Stock 1971–1976, the £1,000,000 5¾% Guaranteed First Mortgage Debenture Stock 1978–1983 and the mortgage of £250,000 of the Cheapside Land Development Co. Ltd. as to principal, premium and interest.
   (b) The principal and interest in respect of the £100,000 5½% Cumulative Preference Shares of the Cheapside Land Development Co. Ltd.
   (c) Mortgages aggregating £350,681 of other Subsidiary Companies as to principal and interest.
2. Provision for Repairs and Renewals to Buildings and Plant:—

	The Company	*Group*
Balance 31st March, 1958	£8,960	£9,958
Add: Provision for the year	3,000	16,733
	11,960	26,691
Less: Expended during the year	3,009	17,467
	£8,951	£9,224

3. The Properties of the Group have been included in the accounts at current valuations and therefore a specific provision for the depreciation of Freehold or the amortisation of Leasehold properties has not been made. Amortisation of Leaseholds calculated on a 3% sinking fund basis on current valuations would be £15,850 (the Company £7,310) and in these accounts transfers have been made to:—

	The Company	*The Group*
Sinking Funds for redemption of Debentures	£4,830	£9,156
Amortisation Equalisation Reserve	5,000	6,732
	£9,830	£15,888

4. The Directors' Remuneration required to be stated by Section 196 (1) of the Companies Act, 1948, was:—

Fees	£2,042
Executive's Salaries and Pension Contributions	7,052
	£9,094

5. Freehold and Leasehold Properties:—

	Valued by Messrs. John D. Wood & Co. 31st March, 1958		*31st March, 1959*	
	The Company	*Group*	*The Company*	*Group*
Freehold Properties	£1,188,000	£2,196,250	£1,215,000	£3,470,350
Leasehold Properties	1,215,000	3,847,250	1,235,000	4,920,400
	£2,403,000	£6,043,500	£2,450,000	£8,390,750

6. Assets in the hands of Trustees for Debenture Stockholders:—

	Group
Sinking Fund Policies for £288,350 at Surrender Value	£111,640

7. Debenture Stocks and Loans (Secured):—

		The Company	*Group*
3½% First Mortgage Debenture Stock 1997 of St. Martin's Le Grand Property Co. Ltd.	£670,000		
Less: Purchased and cancelled to date including £52,748 redeemed on Sinking Fund Account	56,596		
		£613,404	£613,404
Loans on Mortgage		646,508	1,713,114
5½% Guaranteed First Mortgage Debenture Stock 1971–1976 of a Subsidiary Company		—	900,000
5¾% Guaranteed First Mortgage Debenture Stock 1978–1983 of a Subsidiary Company		—	1,000,000
4% First Mortgage Debenture Stock of a Subsidiary Company	300,000		
Less: Purchased and cancelled to date	92,123		
		—	207,877
		£1,259,912	£4,434,395

£25,202 3½% First Mortgage Debenture Stock 1997 of the Parent Company is held by a Subsidiary

8. Capital Reserves:—

	The Company		*The Group*	
Share Premium Account:				
Balance at 31st March, 1958	£59,875			
Premium on Issue of 696,000 Ordinary Shares	523,794			
		£583,669		
Less: Expenses of Share issue		341		
		583,328		£583,328
Premium on issue and Profit on purchase and redemption of Debentures:				
Balances at 31st March, 1958	1,349		£4,390	
Add: Profit on purchase and redemption of Debentures in current year	2,402		5,526	
		3,751		9,916
Sinking Funds for Redemption of Debenture Stocks:				
Balance at 31st March, 1958	35,310		62,030	
Add: Provision for Year	4,830		9,756	
	40,140		71,786	
Less: Provision no longer required transferred to Amortisation Equalisation Reserve	—		8,700	
		40,140		63,086
Property Reserve:				
Balance at 31st March, 1958	610,351		1,516,580	
Add: Adjustments on revaluation of Properties as at 31st March, 1959	47,671		337,320	
	658,022		1,853,900	
Profits and Losses on realisation of Properties and investments	+ 1,250		— 7,693	
Expenditure on investment projects, refinancing and liquidation of subsidiaries	— 1,681		— 3,746	
Amortisation provision no longer required transferred to Amortisation Equalisation Reserve	—		—13,945	
Discount and Expenses relating to issues of Capital and Debentures	—		—34,125	
Adjustment of pre-acquisition profit of a Subsidiary	—		— 1,791	
		657,591		1,792,600
Other Reserves		8,004		8,004
		£1,292,814		£2,456,934

9. Interest on:—

Debenture Stocks	£81,573
Mortgages	69,519
Bank Loans	3,755
Other	24
	£154,871

10. Capital Commitments of the Group at the 31st March, 1959 were £1,400 (1958 Nil).

11. Certain Subsidiary Companies, i.e., Hasilwood Properties Limited, Mounteagle Estates Limited, Drad Properties Limited, Wrencote House (Croydon) Limited, and R. L. Property Company Limited, have been placed in liquidation either before or since 31st March, 1959. All the properties of these Companies had been sold or transferred to other Companies in the Group before 31st March, 1959. With the consent of the Board of Trade the unaudited accounts of these Companies have been used for consolidation purposes.
    The accounts of a Subsidiary Company acquired on the 25th March, 1959, have not been consolidated. The income-producing assets were transferred to another Subsidiary on the same day and it is the intention to wind up the Company as soon as possible. The Directors are of the opinion that consolidation would be of no value.

£25,577 for 1958 and £60,359 for 1959. Explaining the substantial increase in the last figure, Sir Edwin points out that all receipts in the House Account were on a cash basis and as the completion date for the sale was January 20th, they did, in effect, collect rents for the June, September and December quarters plus rents accrued to completion date. On the other hand, expenditure was on an actual basis for approximately seven and a half months and there was no need to provide any further depreciation and other annual charges.

As a result of the transactions, the Corporation has been left with approximately half a million in cash. On the short-term, the return on it, says Sir Edwin, will not be as good as the Winchester House income but over the longer term increased yield and some capital appreciation may be expected.

Insurance Liquidation

THE great hall of Winchester House was this week the venue of the statutory meeting of creditors of British Commercial Insurance. Mr K. R. Cork, F.C.A., and Mr Thomas D. Redhead, F.C.A., were appointed joint liquidators. A failure in the world of insurance is a rare event. Developments in the American market, which have recently led to some closing of the ranks among the powerful British insurance companies doing substantial American business, caused the British Commercial company's difficulties.

The company's assets are estimated to realize £1,588,770, and as regards credits, the deficiency is put at £825,919. Adding the share capital of £220,000 the estimated total deficiency is £1,045,919. An appendix to the statement of the affairs of the company put the 1958 loss at £1,037,675. Claims on the company from the United States are heavy and although the major part of the winding-up process is likely to be completed within a year or two, it may be ten years before the liquidation can be completed.

At the Winchester House meeting, creditors voted to exclude the Press, but after the meeting, Mr Cork stated that the situation with regard to premium income was unknown and it was therefore impossible to judge the likely outcome of the liquidation. So far as is possible, steps have been taken to minimize the effect of the failure on the insurance world.

CITY NOTES

HAVING had their fling, the stock-markets are now following the more obvious pre-election pattern of falling business volume and generally easier prices. This seems likely to be the experience until the General Election is out of the way.

Interest is turning towards individual shares and special developments. New issues attract considerable interest. Mr Charles Clore's City & Central Investments property company made its stock-market bow with a 4*s* a share premium on the first day of business. The offer of 6½ per cent preference shares at par by the Mercantile Credit Co attracted heavy response. New rights offers have been very strongly supported.

In the broader field, the climb of interest rates in New York has had no noticeable effect on either the foreign exchange or stock-markets here apart from an initial set-back in gilt-edged stocks and some speculative – and well-contained – pressure on sterling. It is generally accepted that any retaliation in the shape of interest rate movements here is unlikely to be seen until after the election.

Meanwhile, the August trade figures, showing a reduction in the trade gap compared with July, and also the August increase in gold reserves against the seasonally accepted trend, suggest that there is, at present, no obvious need for any major changes in external economic policy.

There is, however, some pressure on the authorities to provide British manufacturers with more generous export finance facilities to match those granted by overseas governments to Britain's competitors. This is particularly so at the heavier end of industry. Some manufacturers of steel works plant, for example, have recently urged on the Government the need for an overhaul of the export financing system.

RATES AND PRICES

Closing prices, Wednesday, September 16th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

July 10	£3 9*s* 0·22*d*%	Aug. 14	£3 9*s* 8·13*d*%
July 17	£3 9*s* 0·16*d*%	Aug. 21	£3 9*s* 8·39*d*%
July 24	£3 9*s* 0·13*d*%	Aug. 28	£3 9*s* 9·03*d*%
July 31	£3 9*s* 8·19*d*%	Sept. 4	£3 9*s* 9·52*d*%
Aug. 7	£3 9*s* 7·97*d*%	Sept. 11	£3 9*s* 8·47*d*%

Money Rates

Day to day	2⅜–3⅜%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80 13/32–17/32	Frankfurt	11·73¼–¾
Montreal	2·66⅝–¾	Milan	1740⅜–⅝
Amsterdam	10·59 13/16–15/16	Oslo	20·01–¼
Brussels	140·36–·37	Paris	13·75¼–½
Copenhagen	19·33 9/16–11/16	Zurich	12·13 7/16–11/16

Gilt-edged

Consols 2½%	51½xd	Funding 4% 60–90	91⅜
Consols 4%	72⅞	Savings 2½% 64–67	84¼
War Loan 3½%	65	Savings 3% 55–65	90¼
Conversion 3½%	64 1/16xd	Savings 3% 60–70	81 5/16
Conversion 3½% 1969	87⅞	Savings 3% 65–75	75½
Exch'q'r 5½% 1966	103 1/16xd	Treasury 2½%	47¾xd
Funding 3% 66–68	84 7/16	Treasury 3½% 77–80	78 3/16
Funding 3% 59–69	83¼xd	Treasury 3½% 79–81	77
Funding 3½% 99–04	71 1/16	Victory 4%	95 3/16

Reviews

Classification and Coding Techniques to facilitate Accounting Operations

(Research Report 34, National Association of Accountants, New York.)

This report of the American National Association of Accountants states that classification and coding are essential tools in accumulating and organizing the basic information used to guide management and suggests that before the full potential of modern equipment can be realized, in the majority of cases new or improved codes are necessary.

A helpful booklet of some fifty pages, it refers not only to the preparation of codes for accounts but goes on to discuss product and material codes. One of the five chapters into which the work is divided deals with advanced applications of coding relating to the use of codes for integrated data-processing.

An appendix describes a case study showing an actual coding application of the Bell & Howell Co in which coding plays a big role in mechanized planning of material requirements. Numerous illustrations are also provided, and in the chapter dealing with the classification of accounts, reference is made to five other sources of information on the subject. Of these, three are American publications, one is from Australia and the other is Occasional Paper No. 2 of The Institute of Cost and Works Accountants.

For those who are considering the introduction of new codes or the revision of present ones, this report should provide some useful ideas.

Income Tax and Company Law in South-West Africa

by DAVID SHRAND, M.COM., A.S.A.A., C.A.(S.A.), and E. ZWARENSTEIN, C.A.(S.A.) (HONS.) (Legal and Financial Publishing Co, Cape Town. 37*s* 6*d* post free.)

The authors point out that the close political relationship between South Africa and South-West Africa has resulted in South Africans participating in ever-increasing numbers in the economic development of the latter country. This new book explains the provisions of the South-West African Income Tax Ordinance and Companies Ordinance which are based substantially on South African precedents, and elucidates the income tax repercussions and company law requirements as they affect South African investors who are shareholders in South-West African companies or have other interests in that country. There are useful tables correlating and comparing the legislative provisions in the two countries on income tax and companies.

Some Monetary Problems: International and National

by DR PER JACOBSSON (Oxford University Press, London, 42*s* net.)

In the course of some forty years of active service, Dr Jacobsson has served as financial adviser to his own Government, the League of Nations, the Bank of International Settlements and now he is chairman and managing director of the International Monetary Fund. It is almost inevitable that a man with such a background should have views that deserve attention. He has throughout this period been an active writer, not only in the professional learned journals, but more especially in the bank journals. He has also given numerous addresses to conventions of business men and unlike so many professional economists, he can explain his subject in language which is comprehensible to the non-expert.

This volume comprises a series of articles and addresses ranging over nearly forty years, but most of them relate to events since 1945. Every business man who at times has wondered, and which of them has not, about the world's economic and financial problems will find many of Dr Jacobsson's articles of interest. The author is a liberal realist and he is a firm believer in the virtues of economic freedom and a sound currency. To complete the reader's pleasure the publishers have produced a volume which, like many of the articles in it, reminds one of the standards of a bygone age.

The Industrial Efficiency of Rural Labour

by C. D. HARBURY, assisted by A. D. SMITH. (University of Wales Press. 35*s* net.)

Some 10 per cent of the insured working population of the United Kingdom is at present living in areas where unemployment averages upwards of 4 per cent, and where the Government has offered special inducements to industry to set up new factories. Quite a few of these designated areas are rural in character and this fact, therefore, lends added interest to the conclusions reached in this book. A direct comparison of labour efficiency on selected processes in factories in different geographical areas – essentially those in rural areas – indicated no particular regional superiority in labour efficiency. Indeed, in half the processes considered, rural workers seemed capable of quite as good work as their opposite numbers in urban areas, given tolerable labour relations and working conditions (even where lower financial incentives and rather longer hours were in force). Although some managements found that rural workers needed extra training in industrial skills this was offset in many instances by a lower rate of absenteeism and labour turnover.

At the same time, it is as well to bear in mind that the present study deals with only one of the many factors – social as well as economic – affecting the practical approach to industrial location.

Investing Simplified

by EDWARD DU CANN, M.P. (Newman Neame Ltd, London. 15*s* net.)

A long sub-title to this book describes it as 'A guide to unit trusts, investment clubs and other share purchase schemes' which rather robs the main title of some of its meaning. The first sentence of the author's preface cuts it down still further, saying 'This little book is not intended to be a text-book, nor an exhaustive treatise, but a simple guide to unit trusts.' As an officer of a unit trust, the author is well placed to explain how they work and to expatiate on his two main though somewhat contradictory themes, namely, that buying trust units is the best possible way of investing one's money and that the law puts unit trusts at a disadvantage. His constant special pleading in favour of trusts, however, inevitably prompts the reviewer to point out some inconsistencies. It may well be that the investor who buys trust units instead of shares in a particular company is safeguarded from violent fluctuations (up as well as down) and has the benefit (or should have) of the services of highly-skilled specialists in investment. Nevertheless, these benefits are not obtained without cost; unit trusts must pay rent and remuneration, and moreover must pay them out of net income which has already borne tax. Many investors will prefer to back their own judgement, to have the comfortable feeling that they have a direct stake in a particular company in which they are in some way interested, and possibly to enjoy some advantage outside the ordinary run of dividends and bonus issues. For instance, a shareholder in P. & O. has the chance of an excellent lunch on one of the company's ships; a shareholder in a wine company may be invited, at the annual general meeting, to sample some of the company's wares. Who would exchange such benefits as these for trust units? Not your reviewer.

The Pig Herd Work Book
The Poultry Work Book

(Farm Economics Branch, School of Agriculture, Cambridge University, 3*s* 6*d* each.)

We have had good reason to comment before on the excellent approach which the Farm Economics Branch at Cambridge makes to the problems of successful farm management. These two books do not fall short of the standard set by previous publications from the same source; their purpose is to provide the producer in each field of activity with a simple but comprehensive record to enable him to assess the efficiency of these enterprises.

Emphasis is given to the fact that results, in practice, show a wide variation in profits but that on investigation most of this variation is due to causes within the control of the farmer. The keeping of these records is designed to help in locating management deficiencies, if they exist, but as is explained in the text they do not pretend to give a complete answer to problems of management: 'They are merely warning flags drawing attention to possible defects.' Nevertheless, here is the basis on which management accounting can be applied to the keeping of livestock.

The system of recording is eminently practical and, it is claimed, involves expenditure of time at the rate of less than half an hour a month. This is perhaps one of the important aspects which is so often overlooked by those attempting to produce management records for agriculture.

Parry's Valuation Tables

Eighth Edition revised and enlarged by PHILIP H. WHITE, M.SC.(EST.MAN.), F.R.I.C.S., F.A.I. (The Estates Gazette Ltd, London. 45*s* net.)

A feature of this new edition is the inclusion of tables covering Year's Purchase, Present Value of £1, and Annual Sinking Fund with an allowance for the effect of income tax. At the same time the life tables have been brought up to date, the famous 'Carlisle' tables being replaced by similar tables based ultimately on the census of 1951. Another addition is a mortgage instalment table. There is a most useful introduction on the use and application of the tables.

Tables including various rates of income tax have been printed on different coloured pages, in order to guard against inadvertent error.

The Ministry of Transport and Civil Aviation

by Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C. (George Allen & Unwin Ltd, London. 21*s* net.)

It has been said that, apart from the Finance Acts, probably the most complicated body of legislation in this country relating to a single subject is the Merchant Shipping Acts, the first of which dates from 1850. At that time, about 2,000 lives were lost each year at sea in British ships. Now, with one recent exception, the annual toll is usually less than 100. This demonstrates the success achieved by the Government in bringing about improved conditions for the country's seafaring citizens, and equal care is taken that journeyings by road, rail and air are as safe as humanly possible. Travel is the daily concern of nearly all of us whether we are foreign secretaries, international tennis players or merely one of the myriads of suburban commuters, but little is known of the official policies and precautions connected with it.

To enlighten our ignorance, Sir Gilmour Jenkins, out of his vast knowledge and experience, has written a guide which combines an intimate understanding of the administrative problems of transport with a keenly balanced and independent judgement of the merits and shortcomings of the methods adopted to deal with them. His narrative is divided into five parts. The first explains the general history and functions of the Ministry. The next three

cover respectively shipping, inland transport by road and rail and civil aviation, while the fifth and last section details the organization of the Ministry and offers some mordant observations on the future of communications by land, sea and air. Despite its somewhat austere title, this book is packed with unusual items of information, reads easily and, dealing as it does with a subject of vital importance to our present civilization, deserves to be widely circulated and studied.

Rating – Compounding Allowances and Discounts: A Research Study

(The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1. Post free 25*s*.)

The subject of this publication is the practice by local authorities of their powers to rate property-owners instead of occupiers, and the allowance of a discount for the prompt payment of rates. These are two features of local government finance where practice varies. Both procedures have a direct incidence on the amount of the county rate and the penny rate product. The latter especially is significant as it affects the authority's eligibility for the general grant from the Exchequer.

The discussion on the application of these powers to ratepayers, including council house tenants, the cost and their effect on the speed of rate collection, all form valuable background for policy decisions.

Examination is made into the discretionary power of rating authorities to allow a discount for the prompt payment of rates. Collection and recovery procedure is compared in those authorities who either make allowances or allow discounts, and those who do not.

RECENT PUBLICATIONS

ALBAN AND LAMB'S INCOME TAX AS AFFECTING LOCAL AUTHORITIES, fifth edition, edited by George H. Forster, F.C.A., A.I.M.T.A., and J. D. R. Jones, F.C.A. xxiii+338 pp. 10×6. 55*s* net. Charles Knight & Co Ltd, 11–12 Bury Street, London, EC3.

ESTATE DUTY SAVING including the Incidence of Income Tax, Surtax and Stamp Duty, by J. Brian Morcom, M.A.(OXON.), Barrister-at-Law. xxxvi+264 pp. 10×6. 35*s* net. (postage 2*s* extra). Butterworth & Co (Publishers) Ltd, London.

ENJOY WORK AND GET FUN OUT OF LIFE, by O. A. Battista, D.SC. xxi+229 pp. 7½×5. 7*s* 6*d* net. Elliot Right Way Books, Kingswood, Surrey.

FORMATION OF PRIVATE COMPANIES, by Douglas Barker, M.A., LL.B.(CANTAB.), LL.M.(HARVARD), Barrister-at-Law, and A. P. Halberstam, M.A., LL.B.(CANTAB.). xvi+236 pp. 10×6½. 35*s* net. Sweet & Maxwell Ltd, London.

AMERICAN AID TO GREECE, A Report of the First Ten years, by C. A. Munkman. ix+306 pp. 8½×5½. 30*s* net. Methuen & Co Ltd, London.

CASES ON THE LAW OF CONTRACT, third edition, by G. C. Cheshire, D.C.L., F.B.A., Barrister-at-Law, and C. H. S. Fifoot, M.A., F.B.A., Barrister-at-Law. xxiii+459 pp. 10×6½. 45*s* net. Postage 1*s* 9*d* extra. Butterworth & Co (Publishers) Ltd, London.

MODERN BUSINESS STATISTICS, by John E. Freund and Frank J. Williams. xv+539 pp. 9½×6. 50*s* net. Sir Isaac Pitman & Sons Ltd, London.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Barclays Bank Ltd (Shipside's Executor) *v.* C.I.R.

In the Court of Appeal – July 21st, 1959

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice ROMER and Lord Justice PEARCE)

Estate duty – Valuation – Share in company – Trust shares – Deceased first-named trustee – Whether deceased had control of company – Finance Act, 1894, Section 7 (5) – Public Trustee Act, 1906, Section 4 – Finance Act, 1920, Section 53 – Finance Act, 1937, Section 19, Schedule IV, paragraph 11 – Finance (No. 2) Act, 1939, Section 13 (9) – Finance Act, 1940, Sections 55, 58 – Finance Act, 1952, Section 34.

The testator died in 1955 and left 1,100 shares in a private company, the issued capital of which was 8,350 shares. At the date of his death he was one of four trustees holding 3,650 shares in the company, and, therefore, if the trust shares were added to the 1,100 shares owned by the deceased himself, the total came to more than half the share capital of the company. The deceased had no beneficial interest in the trust. The 3,650 shares were registered in the company's register of members in the names of the four trustees, and the deceased's name appeared first. The company's articles of association provided that in the case of joint holders the vote of the senior who tendered a vote was to be accepted to the exclusion of the votes of the other joint holders; and that seniority was to be determined by the order in which the names stood in the register of members.

Estate duty was claimed on the 1,100 shares on the footing that they should be valued, pursuant to Section 55 of the Finance Act, 1940, according to the net value of the company's assets, in that the deceased had the voting control of the company at the date of his death. It was contended for the appellant that the first-named trustee could not himself exercise the voting rights on the joint holding as he had to act on behalf of all the joint holders.

Held (reversing the judgment of Mr Justice Danckwerts): the deceased had the control of the company for the purposes of Section 55 (1) of the Finance Act, 1940.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Income Tax Returns

SIR, – All practising accountants must experience the inconvenience arising from the fact that Form No. 12 (for example) may require to be signed on both page five and again twice on page eight, whereas the inexperienced or careless client is liable to sign once only thus necessitating the second submission of the form for completion.

Surely it should not be beyond the wit of the Inland Revenue to phrase one declaration to cover all requirements.

In these days of high costs and staff shortage all parties would benefit.

Yours faithfully,

London, EC4. SMITH & HARTING.

Fellowship

SIR, – I disagree profoundly with Mr Harold Morland (September 12th issue). The number of Fellows voting for and against the new proposals must of necessity remain a matter for conjecture; the analogy with ordinary and preference shareholders is not an exact one, and I support the Council's refusal to consider the Institute membership save as a whole.

Whether the position of Fellows has been affected for the worse is not a certainty, but a matter of opinion. It is, however, a fact that the Fellows' heavier share of maintaining the activities of the Institute will henceforward be borne by a larger number of persons.

Under the regulations previously existing, the distinction between Associates and Fellows has not always been apparent to the public mind; nor does it effectually separate those who are engaged in professional work from those who are not. There is today a numerous body of Associates 'engaged in professional work' – viz. persons eligible to apply for Fellowship who have not in fact done so; all principals of less than five years' standing in that capacity; and qualified clerks employed by practitioners. It is well known that these last are often men of substantial experience, whose contacts with clients can make or mar the good name of their firm and of the Institute.

The present extensive occupation of chartered accountants outside professional offices was not envisaged by the founders of the Institute, and to attempt to maintain the standards of 1880 will inevitably produce anomalies in 1959. It is suggested that the dual classification of Fellows and Associates was introduced to confer added distinction – and added responsibilities – upon members of several years' standing, and this feature is preserved in the new proposals. By limiting the hitherto optional element of Fellowship, the distinction between the two categories has been clarified rather than obscured.

If the dual-category membership is to remain with us – and that is another question altogether – the new proposals are probably as fair as anything that could be devised, and are in my view superior to any of the alternatives suggested in other quarters.

Yours faithfully,

M. BARRADELL, LL.B., A.C.A.

Pinner, Middlesex.

SIR, – One of the more curious aspects of the Fellowship controversy seems to have escaped comment in your columns.

At the meeting called to confirm the resolution on which we had polled, a member suggested that an additional qualification, such as a doctorate, should be introduced for the practising member. Our President welcomed the suggestion and promised that it should be considered.

Thus we have a proposal for differentiating the practising member from the non-practising, launched at a meeting called to abolish finally the existing distinction between the two.

Yours faithfully,

ROBERT W. J. DERBY, A.C.A.

London, EC2.

Annual Accounts and the Companies Act

SIR, – The dispute in the printing industry stopped printing when the final proof of the annual accounts of Premier Consolidated Oilfields Ltd for the year ended March 31st, 1959, was in the hands of the printers.

The annual general meeting had been fixed for July 28th and any postponement would have prevented the holding of the meeting for several weeks. It was therefore decided to produce 'minimum' accounts on the company's own duplicating machine. Notice of the meeting had to be given by July 7th and thus very little time remained for the preparation and production of these emergency accounts of which nearly 6,000 copies were required.

Two foolscap sheets of paper were printed on both sides, this was the maximum that could be produced in the time available. The notice of the meeting and the reports of the directors and of the auditors occupied three sides, leaving only one side for the balance sheet, consolidated balance sheet, consolidated profit and loss account and the notes required by the Companies Act.

As the annual accounts in their usual form were in the final stages of production it was decided that these accounts should also be issued to stockholders as soon as the strike ended. The situation has thus arisen that two sets of accounts upon the trading activities of one year have been circulated to stockholders, one containing almost the minimum information required by the Companies Act, 1948, and the other the maximum likely to be of use to stockholders, presented in a form to satisfy the requirements of good current company practice.

Both sets of accounts give a true and fair view of the state of affairs and of the profit and loss of the company as required by the Companies Act, 1948. The short version occupies one page, the full version thirteen. Even so, the short version gives, I believe, four items of information not required by the Act – the separate statement of the results of 'own' and 'joint venture' operations, miscellaneous receipts, administration expenditure, and the amount of short-term deposits.

In the full version, the balance sheet and the consolidated balance sheet could be presented on one page, but the clarity of the presentation would have suffered greatly. The consolidated profit and loss account, in my opinion, could not properly omit any of the detail shown, nor could the notes be reduced without depriving stockholders of information important to them. The eight-year comparative analyses contain information available from previous published accounts (comparative balance sheets and profit and loss accounts). The first portion of the 'Production and Statistics' – the 'well status' schedules – though not required by the Act, is essential for a proper appreciation of the operations of the company; the detailed statement of freehold and leasehold properties is of great importance in the present state of reorganization of the company; and the analysis of the cost and production of wells drilled gives information upon which the efficiency of the present management can be judged. This is of importance since the company resumed the active management of its 'own' property in March 1958.

The basic information given in both short and full balance sheets is almost the same, but the notes in the full version give a much more detailed statement of the total expenditure and depreciation upon the fixed assets, and the basis upon which depreciation and amortisation has been charged on these assets. The notes also set out in detail the taxation position and the nature of capital commitments. This additional information is useful but, with the exception of the basis for the amortization of wells, not essential.

The Act only requires that there shall be shown in the balance sheet 'the aggregate amount provided or written off since the date of acquisition for depreciation' and in the profit and loss account 'the amount charged to revenue by way of provision for depreciation of fixed assets'. There is thus no legal requirement for the disclosure of the basis of charging well depreciation – the most important single item of information necessary to assess the profits and asset position of a company producing and marketing crude oil.

The short and full versions of the profit and loss account vary considerably. The short version probably gives all the information required by most stockholders by showing profits arising from: oil operations, operations other than the direct winning of the oil, exceptional transactions, together with taxation and the net consolidated profit resulting from all transactions. On the other hand, the full version together with the relevant notes, schedules and maps, should allow anyone with the necessary technical knowledge to obtain a clear picture of the conduct of operations. Full details are also given of special transactions, miscellaneous receipts and administrative expenditure as a yardstick to measure the reorganization of the company and the nature of its 'domestic economy' – a matter of no small importance where profits are small.

The full version of the profit and loss account with notes, schedules and maps is thus essential for an intelligent appreciation of the activities of the company and this conclusion emphasizes the shift in the assessment of the relative importance of the profit and loss account and of the balance sheet; a growing appreciation that the earning power of a company in usual circumstances may be of greater importance to a stockholder than the value of its assets.

The full version also contains reports from the general manager and from the technical consultants, and the statement of the chairman. These statements occupy nine pages and give a very full review of operations during the year and of proposed future activities. They are not required by the Companies Act but provide information essential to the detailed study of the accounts, which they supplement, and with their aid a realistic assessment of the company can be made.

It is naturally in this matter of supplementary information that present company practice differs most; from clear, detailed, factual information with the accounts, to woolly generalizations uttered at the annual general meeting and not circulated to the stockholders.

The information given to stockholders in public companies has greatly increased during the last decade, and this progress continues. Stockholders should be in possession of sufficient information to value their assets and the efficiency of their directors – and modern practice is pointing the way to this goal. A study of the two versions of the accounts of Premier Consolidated Oilfields Ltd may therefore serve to highlight the gap between the requirements of the Companies Act, 1948, and the information which a stockholder may now reasonably expect to receive.

Yours faithfully,

W. R. C. HALPIN, B.A., A.C.A.
Chairman,
PREMIER CONSOLIDATED OILFIELDS LTD.

London, EC2.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(7 & 8 Eliz 2)

Chapter 45: Metropolitan Magistrates' Courts Act, 1959

An Act to increase the maximum number of the metropolitan stipendiary magistrates; to authorize the appointment of acting stipendiary magistrates for the metropolitan stipendiary Court area; to enable the Receiver to provide premises acquired for the probation system within the said area; and to make further provision with respect to the power of the Receiver to borrow money.

Price 6d net. *July 9th, 1959.*

Chapter 46: Nuclear Installations (Licensing and Insurance) Act, 1959

An Act to make provision for the regulation of certain installations capable of emitting ionizing radiations and with respect to the incidence of, and the provision of cover for, liability in respect of any such radiations emitted from, or in connection with the use of, any such installation; and for purposes connected with the matters aforesaid.

Price 1s net. *July 9th, 1959.*

Chapter 47: National Insurance Act, 1959

An Act to alter the contributions payable to the National Insurance Fund under the National Insurance Acts, 1946 to 1957, and the retirement benefits payable under those Acts, and in particular to provide for payment of a graduated retirement benefit in return for contributions related to the amount of a person's remuneration, and for purposes connected therewith.

Price 1s 6d net. *July 9th, 1959.*

Chapter 48: Cotton Industry Act, 1959

An Act to enable schemes made with a view to eliminating excess capacity in the cotton industry to provide for paying compensation for any such elimination and for raising the sums required for that and other purposes by levies on the industry; to enable the Board of Trade to make contributions towards any such compensation and to make grants for the re-equipment of the industry; and for purposes connected therewith.

Price 6d net. *July 9th, 1959.*

Chapter 49: Chevening Estate Act, 1959

An Act to confirm and give effect to a vesting deed and trust instrument relating to the Chevening Estate and other property, and for purposes connected therewith.

Price 1s net. *July 9th, 1959.*

Chapter 50: Pensions (Increase) Act, 1959

An Act to provide for increases of certain pensions.

Price 1s net. *July 9th, 1959.*

Chapter 51: Licensing (Scotland) Act, 1959

An Act to consolidate certain enactments which relate to licensing in Scotland and to matters connected therewith, with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949.

Price 6s net. *July 9th, 1959.*

Chapter 52: National Assistance Act, 1959

An Act to empower the Minister of Pensions and National Insurance to make orders increasing any of the amounts specified in paragraph 3 or 5 of the Second Schedule to the National Assistance Act, 1948, and making certain consequential provision.

Price 3d net. *July 9th, 1959.*

Chapter 53: Town and Country Planning Act, 1959

An Act to make further provision as to compensation in respect of the compulsory acquisition of land, and as to other matters relating to the acquisition, appropriation and disposal of land by public authorities; to make provision as to proceedings in respect of certain matters arising under the Town and Country Planning Acts, 1947 to 1954, and the Town and Country Planning (Scotland) Acts, 1947 to 1954, as to applications for planning permission under those Acts, and as to enforcement notices thereunder; to make further provision as to procedure in connection with statutory inquiries, as to compensation for damage to requisitioned land, and as to advances to highway authorities in respect of land acquired for highways; and for purposes connected with the matters aforesaid.

Price 6s net. *July 16th, 1959.*

Chapter 54: Weeds Act, 1959

An Act to consolidate certain enactments relating to injurious weeds.

Price 6d net. *July 16th, 1959.*

Chapter 55: Dog Licences Act, 1959

An Act to consolidate certain enactments and Orders in Council relating to the licensing of dogs kept in Great Britain.

Price 9d net. *July 16th, 1959.*

Notes and Notices

PERSONAL

MESSRS GOLLOP, KANDLER & WHITE, Chartered Accountants, of 101 Hatton Garden, London, EC1, announce that as from September 1st, 1959, Mr SIDNEY SEGAL, A.C.A., has been admitted as a partner in the firm.

MR ARTHUR DANNING, A.A.C.C.A., of Brunswick Chambers, Brunswick Street, Newcastle, Staffordshire, announces that he has transferred his practice to Messrs WALTER J. DEAN, M.C., D.C.M., F.C.A., WALTER R. DEAN, B.A., F.C.A., and CHARLES W. BLAGG, F.C.A., who will practise at Brunswick Chambers, Brunswick Street, Newcastle, as Messrs A. DANNING & Co, Chartered Accountants. The members of the new firm are the partners in Messrs DEAN & SON, Chartered Accountants, of 4 Market Square, Stafford. Mr DANNING will be available at Brunswick Chambers until December 31st, 1959.

PROFESSIONAL NOTES

Mr Norman Readman, A.C.A., has been appointed chairman of Jacobs Manufacturing Co Ltd, Frank Guylee & Son Ltd, and Reichdrill Manufacturing Co Ltd.

Mr Geoffrey Taylor, M.B.E., A.C.A., has been appointed to the board of The African Mercantile Co Ltd.

Mr S. E. Spicer, A.C.A., director and controller of The Sperry Gyroscope Co Ltd, has been appointed a director of the company's subsidiary, Industrial Products (Speco) Ltd.

Mr C. H. Jackson, A.C.A., has beeen appointed chairman and joint managing director of the Telephone Manufacturing Co Ltd.

Mr R. J. Scott, C.A., has joined the board of the Scottish Mutual Assurance Society.

Mr James M. Jardine, C.A., secretary of Smith's Dock Co Ltd, has been appointed a director of the company.

Mr Frank Arthur Jones, T.D., A.C.A., secretary of the Calico Printers' Association Ltd, has been appointed a director of the Association. He will continue to hold his present appointment as secretary.

Mr K. R. H. James, A.C.A., has been appointed an assistant managing director of The Wolverhampton Metal Co Ltd.

AMERICAN AWARD FOR ACCOUNTING STUDENT

Mr C. A. Ball, who recently graduated with first-class honours at the London School of Economics in the degree forming part of the Universities and Accountancy Profession Joint Scheme, has been awarded a research studentship at the University of California.

ADVISORY COMMITTEE ON 'QUEEN' LINERS

Sir Thomas Robson, M.B.E., M.A., F.C.A., Past President and a member of the Council of the Institute, and partner in the firm of Price Waterhouse & Co, Chartered Accountants, is one of a subcommittee of three set up by the Minister of Transport and Civil Aviation to advise on the replacement of the Cunard 'Queen' liners.

The chairman of the committee is Viscount Chandos, chairman of Associated Electrical Industries Ltd and President of the Institute of Directors. The other member of the committee is Sir John Hobhouse, who until his recent retirement, was a partner in the firm of Alfred Holt Ltd.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Week-end Conference

'Capital finance of local and public authorities' is the theme of a week-end residential conference being held by The Institute of Municipal Treasurers and Accountants at Caius College, Cambridge, this weekend.

The object of the conference – the third of its kind – is to bring together senior officers from all branches of the public service to discuss matters of common interest; the subject is of particular interest at the present time following the publication of the report of the Radcliffe Committee on the working of the monetary system.

Attending the conference are senior officers concerned with finance from local government, the Civil Service, the electricity and gas supply industries, the health service, the airways corporations, the railways, the National Coal Board and other public authorities.

The chairman of the conference is Sir Henry Wilson Smith, K.C.B., K.B.E., B.A., chairman of Powell Duffryn Ltd, a member of the National Coal Board and formerly Second Secretary to the Treasury; the principal speakers are: Mr R. W. B. Clarke, C.B., O.B.E., B.A., Third Secretary, H.M. Treasury; Mr P. G. James, B.COM., A.C.A., Chief Financial Officer, London Transport Executive; Mr A. S. Marre, C.B., M.A., Under-Secretary for Finance and Accountant-General, Ministry of Health; Mr C. T. Melling, C.B.E., M.SC.(TECH.), M.I.E.E., M.I.MECH.E., member of The Electricity Council; Mr D. M. Nenk, B.A., Under-Secretary for Finance and Accountant-General, Ministry of Education; Mr H. R. Page, M.A.(ADMIN.), F.I.M.T.A., City Treasurer, Manchester; and Mr A. R. Prest, PH.D., M.A., Bursar, Christ's College, Cambridge, University Lecturer in Economics.

CHARTERED ACCOUNTANTS' CONFERENCE

Beds, Bucks and Herts Group

The Beds, Bucks and Herts Group of the London and District Society of Chartered Accountants is to hold a second one-day autumn conference at Harpenden, Herts, on Monday, October 19th. The subject of the conference will be 'The presentation of the accounts of limited companies'.

Members resident or working in the group area who have not received copies of the notice and application form are invited to write to the hon. secretary, Mr E. J. Frary, A.C.A., 26 Victoria Street, Luton, Beds. Members have been asked to return application forms by September 20th.

S.W. LONDON DISCUSSION GROUP

The 1959–60 session of the South-West London Chartered Accountants' Discussion Group opens with a meeting to be held at *The Kingston Hotel*, Kingston upon Thames, on Monday, October 5th, at 6.45 p.m. The subject of the meeting will be 'Insurance', and the speaker will be Mr Ralph K. King, A.C.A., chairman of the group for the new session.

The honorary secretary of the group is Mr F. Jones, 695 Salisbury House, London Wall, EC2, who will welcome inquiries from prospective new members.

SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

Two discussion group meetings for London members of The Institute of Chartered Accountants of Scotland will be held during the winter months. The meetings, which will take place in the Oak Hall of the English Institute at Moorgate Place, EC2, commencing at 6 p.m., are as follows:

November 30th: 'The six and the seven' (the Common Market and Outer Free Trade Area), by Mr J. H. M. Pinder, M.A., managing editor of *The Economist* Intelligence Unit.

January 25th, 1960: 'The application of economic control in industry', by Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S.

LIVERPOOL CHARTERED ACCOUNTANT STUDENTS' ASSOCIATION

The winter programme of the Liverpool Chartered Accountant Students' Association opened this week with a lecture meeting on Thursday and an informal dance on board s.s. *Landfall* yesterday (Friday) evening. Future meetings up to the year-end have been arranged as follows:

September 24th: 'The Liverpool cotton market', by Mr W. F. Machin.

September 25th–October 2nd: Residential course at Burton Manor.

October 1st: 'The work of the G.P.O.', by Mr K. P. Thompson.

October 7th: Visit to Birkenhead Brewery Co Ltd, Birkenhead.

October 15th: 'The work of the Official Receiver', by Mr A. K. Ferguson, A.C.A.

October 22nd: 'Case law and examinations', by Mr R. G. Highcock, LL.B., A.C.A., A.A.C.C.A.

October 30th: Visit to Martins Bank Ltd, Head Office, Liverpool.

November 5th: 'General financial knowledge', by Mr K. Graves, B.SC.(ECON.), A.I.B., A.C.C.S.

November 12th: 'The new State pension scheme, and its effect on the Budget', by Mr J. M. Beattie, F.I.A., F.F.A.

December 3rd: 'The role of the management consultant', by Mr K. B. Glassby.

December 10th: 'Accountancy in industry', by Mr C. J. Peyton, A.C.A.

The lecture meetings will be held in the Library, 5 Fenwick Street, Liverpool, 2, at 5 p.m., preceded by tea at 4.45 p.m.

OXFORD CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The 1959–60 programme of the Oxford Chartered Accountant Students' Society commences on Wednesday next, September 23rd, when Mr M. W. Lockyer, F.I.B., will speak on 'The practical approach to executorship'. Other meetings include:

October 13th: 'Insurance', by Messrs C. Steele and D. W. Pardy (The Prudential Assurance Co Ltd).

November 10th: 'Partnership law', by Mr S. G. Maurice, Barrister-at-Law.

December 17th: 'The accounting requirements of the Companies Act, 1948', by Mr R. Glynne Williams, F.C.A., F.T.I.I.

1960

January 19th: 'Branch accounts', by Mr D. Rich, A.C.A.

February 4th: 'Machine accounting', (lecture and demonstration).

February 25th: 'Standard costing and budgetary control in the smaller firm', by Mr C. F. Howell, F.C.W.A. (joint meeting with the Oxfordshire Sub-Branch, The Institute of Cost and Works Accountants.)

March 16th: 'Mergers and take-over bids', by Mr C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S. (This meeting will be followed by the annual general meeting.)

With the exception of the meeting on February 4th, which will take place at the Forum, High Street, at 5.30 p.m., all the above lectures will be held at the Kemp Restaurant, Broad Street, Oxford, at 6.30 p.m., preceded by light refreshments at 6.10 p.m.

In preparation for the November 1959 examinations, a lecture course for Intermediate and Final students will be held at *The Royal Oxford Hotel* on October 22nd, 23rd and 31st. A similar course will also be held prior to the May 1960 examinations.

Other activities of the Society include a visit to the factory of Electrical and Musical Industries at Hayes on December 3rd, and the annual dinner and dance at the Forum, High Street, Oxford, on January 29th, 1960.

OFFICE MANAGEMENT ASSOCIATION

One-day Conference in Glasgow

The ninth annual one-day conference and exhibition organized by the Glasgow and West of Scotland Branch of the Office Management Association, will be held in St Andrews Halls, Glasgow, on Wednesday, October 28th. The subject of the conference is 'Document reproduction', and Mr H. M. Verry, of H.M. Treasury, will be the speaker. More than twenty manufacturers and suppliers will take part in a comprehensive exhibition.

Further particulars may be obtained from the conference secretary, Mr S. G. Harper, W. & T. Avery Ltd, 304 St Vincent Street, Glasgow, C2.

TWO-DAY COURSE ON FINANCIAL TECHNIQUES

'Financial techniques for management' is the subject of a two-day course organized by Management Courses Ltd, to be held at *The Piccadilly Hotel*, Piccadilly, London, W1, on September 30th and October 1st. The course is designed to illustrate the application of certain financial techniques including profitability ratios, break-even analysis, movement of funds and return on capital expenditure. Speakers will be Mr Arthur W. H. Lamond, B.L., C.A., F.O.M.A., M.B.I.M., Mr Alan Kenyon, B.COM., F.C.W.A., A.A.C.C.A., and Dr J. M. S. Risk, B.COM., PH.D., F.B.I.M. The fee for the course is fifteen guineas, and reservation forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The meetings of The Accountants' Christian Fellowship for the winter session will begin with a reception by the chairman, Mr D. J. Ginnings, F.C.A., at 6 p.m. on Tuesday next in the Oak Hall of the Institute, Moorgate Place, EC2. The reception will be followed by tea and afterwards there will be a short address by Mr H. A. Smith, C.B.E., Deputy Chief Inspector of Taxes.

As at all meetings of the Fellowship, members, their friends and any others who are interested will be most welcome.

RELATIONSHIPS IN INDUSTRY

A Scottish conference on 'Relationships in industry – some changing concepts of management', will be opened by Sir Alexander Fleck, chairman of Imperial Chemical Industries Ltd, on Friday afternoon, October 23rd, at *Gleneagles Hotel*. The conference, which is being organized jointly by the British Institute of Management and the Ministry of Labour, will conclude on Saturday evening, October 24th, when Lord Monckton, chairman of the Midland Bank Ltd, will give the address at the closing dinner.

The object of the conference is to bring together Scottish industrialists to examine and discuss management responsibilities in relation to human problems in industry. Four addresses will be given by speakers prominent in industry and education.

Further details may be obtained from the British Institute of Management, Management House, 80 Fetter Lane, London, EC4.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Annual Golf Meeting

The annual golf meeting of The Leeds, Bradford and District Society of Chartered Accountants will be held at Ganton Golf Club on Friday afternoon, October 2nd. As in previous years, the competition for the Blackburn Cup will be eighteen holes bogey (Stableford system) played under handicap, but in addition this year, the Holliday Cup, formerly played for by the Yorkshire Society of Incorporated Accountants, will be awarded to the player with the best gross score. It is hoped that there will be a good attendance and non-players will be welcome for lunch and on the putting-greens during the afternoon.

Members wishing to attend should advise Mr T. H. Burdon, F.C.A., Messrs Blackburns, Robson, Coates & Co, Commerce House, Cheapside, Bradford, 1, not later than September 25th.

Dinner and Dance

The second dinner and dance to be held in Bradford will take place at *The Midland Hotel* on October 9th. Applications for tickets (price 30*s* each), should be addressed to Mr Frank Dean, F.C.A., Bank Chambers, North Parade, Bradford.

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CONTENTS

Transferring Money

TOWARDS the end of the Radcliffe Committee's report a little over three pages is devoted to a consideration of transfer of payments. Perhaps because it comes so late in the report or perhaps because it follows more weighty matters of monetary economics, this brief section has had comparatively little notice. And yet it could eventually affect us all, in our business and private capacities alike. Each individual transfer of money is a small enough matter in itself; but the efficiency – and the economy – of the means of transfer available is important enough when all the transfers are aggregated to justify the three Radcliffe pages.

Very briefly, the committee considered that the British cheque system and the ancillary services that go with it are very good, but that 'there must be many people who do not keep bank accounts', and that they might welcome some other, cheaper, method of paying their bills. Reference was made to the personal cheque service in the United States and, as introduced last year by the Midland Bank, in the United Kingdom. But the other banks 'have doubts as to whether the public really wants a "utility" banking service', and are reluctant to draw distinctions between the classes of customer. The report then goes on to examine the 'giro' system operated 'in many countries on the continent of Europe and in Japan', and to suggest fairly strongly that more consideration should be given to the possibility of starting such a system in Britain, in addition to the cheque system; it could be operated by the Post Office, the clearing banks or the trustee savings banks, or by a combination of all three.

One may question whether the committee was quite correct in its assessment of banking feeling about the personal cheque system: it has been widely suggested that it is doubt as to the profitability of the Midland Bank's personal cheques, that has so far kept the other banks from following the Midland's lead, rather than reluctance to introduce distinctions among their customers or doubt as to whether the new scheme is wanted. But, however that may be, there had already been, before the Radcliffe Committee reported, some discussion amongst bankers of the merits and demerits of the giro system, and in July it was announced that the clearing banks were 'actively engaged in a re-examination of the whole problem of the transmission of payments', their object being to see whether their services to customers might be extended 'without sacrificing the highly developed cheque system'.

The giro system itself, although it varies in detail from country

to country, is fundamentally simple – and fundamentally different from the almost equally simple cheque system. Under it Jones, wishing to transfer money to Smith, both of them having accounts with the post office or banks operating the giro system, instructs his 'banker' to transfer the money to Smith's account. No overdraft is allowed in giro accounts, nor does the system provide any service of any kind apart from the money transfer; although automatic advice of credit to the 'payee' can obviously be built into the system quite easily.

The charge for this simple service varies, but it seems to be generally accepted that it is in all cases cheaper than the normal cheque service familiar to the customers of banks in this country. Its outstanding merit is of course its simplicity. Uncomplicated by the lending function, it is simple to operate, and lends itself to a high degree of mechanization and book-keeping centralization, while from the customer's point of view it offers savings in postage, in correspondence and in some circumstances in stamp duty. The banks, operating a well-established system very expertly, are understandably cautious about introducing another one, working on a quite different principle. But as they look at the possibilities of developing their business among new classes of the population they must equally obviously consider very seriously the different technique, with its apparently proven cheapness of operation.

In fact, they have a framework for a British giro already set up – in the traders' credit system with which very many accountants are familiar and in the arrangements for receipt at one branch of credits for accounts at other branches and other banks. The traders' credit scheme, which never seems to have been publicized by any bank, has worked well for many years, and has slowly extended by word-of-mouth recommendation. Like most bank services, the traders' credit has no fixed charge, and it is even more difficult to make a general statement about how much it costs than it is to make a similar statement about the cheque. Probably, however, there is no great difference in the charge to the customer, who benefits rather in savings of postage and correspondence – and of stamp duty – when he issues only one cheque to his bank to cover a number of payments at one time.

Oddly enough there can be a much more substantial saving under the ordinary credit-to-another-branch arrangement, for here an individual payment can be made over the counter by a person who has no banking account at all – and no charge is levied on him. The credit may well be treated as a chargeable entry on the recipient's account, but so of course can the traders' credit, or any other credit item. It is a little surprising that so little use is made by private debtors of the simple credit-over-the-counter which could be used, for example, for payment of electricity bills or rates, where the creditor's bank is easily discoverable. Were any substantial extension of its use to develop, the banks would almost certainly have to introduce a charge, for of course this service was first provided for use only by customers paying at other branches to the credit of their own accounts.

Whatever may come out of the banks' present deliberations, it is fairly clear that although bank charges is not so burning a question as Press correspondence sometimes suggests, there would be a very widespread welcome for any cheaper method of transfer that could be generally offered. Nor would such a welcome be restricted to the Radcliffe Committee's 'many people who do not keep bank accounts': the number of trade associations that operate their own payment clearings for their members is some small proof of that. It is clear too that a cheaper service is possible, if it can be divorced from the banks' other, and very valuable services. The giro is cheaper abroad; the Midland Bank's personal cheques, restricted though they be to private customers, are cheaper; the trade association clearings are cheaper. The Radcliffe Committee did not go into detail on the question of charges, but it ended its consideration of the topic with the suggestion that

> 'in the absence of an early move on the part of existing institutions to provide the services which will cater for the need we have in mind, there would be a case for investigating the possibility of instituting a "giro" system to be operated by the Post Office'.

We know that the clearing banks were by then already looking into the matter. We may reasonably hope to have the best of both worlds, in a cheaper transfer service alongside a general banking service (perhaps at an increased cost?) of the quality we are accustomed to.

E. D. P. O. H. M. S.

NEWS items reporting how electronic computers are being used by Government departments, nationalized industries and public corporations for payroll tabulations, stores and cost accounting, production control and hire-purchase, actuarial and insurance calculations have appeared regularly in these columns for some time. To recall a few – the Board of Trade uses an automatic processing system to assemble information derived from the Census of Production; so does the Inland Revenue for analysing statistics obtained from tax assessments and for preparing P.A.Y.E. tables. The G.P.O. has now a twin-computer installation which processes the payroll of 112,000 staff as well as undertaking statistical work and H.M.S.O. operates an automatic system for accounting work and stock control. The Eastern Gas Board has a centralized billing office which, when completed next year, will compute bills for 750,000 consumers; and, finally, the Royal Army Pay Corps is to install an electronic system to keep the central pay records for all soldiers of the Regular and Reserve Army.

Impressive, however, as are these and other instances of how electronic data-processing is operating in Government departments, they pale in comparison with the way in which Australia – a nation expanding at a rate unparalleled in its history – is enlisting the aid of electronic devices to keep its accounts, measure its growth, record its overseas trade and analyse its ever-growing commercial and productive activities. By law, the Treasurer is required to publish a statement of the nation's transactions for each month together with cumulative totals for the current financial year to date. The prompt presentation of these statements is of vital importance to the Australian economy and, when manual records were kept, by a concentrated effort of human minds and hands working long hours, the required information was made available never earlier than ten days after the end of each month. Today, girls operating a teletype keyboard in the Sub-Treasuries at Adelaide, Brisbane, Darwin, Hobart, Melbourne, Perth and Sydney, transmit the details of the month's transactions to the Canberra end of the circuit where, simultaneously, other machines process the mosaic of figures representing national receipts and expenditure of over £5,000 million in a full year. The result is that the Treasurer's monthly statistics are published regularly on the third working day of the following month.

Electronics also help the Commonwealth Bureau of Census and Statistics which collects continuously information about population, employment, the national income, exports and imports and the output and sales turnover of farms, factories and retailers. Before the Second World War, the Bureau's task of recording, sorting, checking, querying, classifying and tabulating was laboriously done by hand. Now, less than half the pre-war staff, aided by the largest battery of statistical machines in the Southern Hemisphere, deal with a much greater content of inflowing data in less than half the time. Thus, although the last census of the population was taken in 1954 and the next is not due until 1961, the Australian Prime Minister was able to announce on March 5th of this year that the population of his country would top the 10 million mark five days later on March 10th. This prognosis was made possible because the Commonwealth Statistician keeps accurate cumulative birth, death, and migration records.

The completeness with which the Australian Government appears to have adopted electronic data-processing leads us to wonder if, after all, the Treasury in this country is making the fullest use of this revolutionary development in accounting. For example, in Australia – as also in America – all Government cheques are made out in punched-card form and it has been calculated that if *all* cheques issued in the United Kingdom were similarly standardized, the cost of clearing each would be cut from a shilling or two to a penny or two. Here alone, the savings potential would be considerable for the warrants issued by the Government in the course of the year must run to many millions. Perhaps the time has come for the Treasury to take the nation into its confidence and explain, as has the Australian Government recently in an illuminating brochure, how and to what extent it uses, or plans to use, E.D.P.O.H.M.S.

Assessment of Excess Rents

SAND- AND GRAVEL-PITS

by T. J. SOPHIAN

THE assessment of sand- and gravel-pits has raised a number of difficult tax problems. Whether any means are available to avoid the incidence of tax in such cases, has for long exercised the ingenuity of lawyers. It is not, however, the purpose of the present article to embark on an examination of the measures that may be adopted with this end in view, but rather to consider the proper method of assessment.

On this topic, the recent case of *Tollemache Settled Estates (Trustees) v. Coughtrie* ([1959] 2 All E.R. 582) throws considerable light. The case may be regarded as making new law.

General Background

It will be recollected that at one time it was considered that profits derived from grants to enter on to land and to dig and take away sand or gravel, were taxable under Schedule D, whether the grant was in the form of a lease or a licence.

The decision of the House of Lords in *Russell v. Scott* (27 A.T.C. 199; 30 T.C. 375) disapproved of this practice and it was held in that case that the land was assessable under Schedule A. Unless, therefore, an excess rent assessment was made, the profits so derived were covered by the schedule assessment. New schedule assessments could not, of course, be made unless it was shown that there was a change of user of the land.

The amount of the Schedule A assessment, however, did not much matter if an excess rent assesment could be made. Accordingly, in many instances, Schedule A assessments as they stood in 1948 remained unchanged. The Revenue were not in a position to make a general revaluation of properties for Schedule A, since quinquennial revaluations made before the war remained stationary by reason of their postponement. It is interesting to observe that in the *Tollemache Estates* case, nothing was done about the Schedule A assessments until the year 1953–54.

Basis of Assessment

Where a sand- or gravel-pit is being operated under a lease of the land by the owner, what is the basis on which the owner is to be assessed in respect of excess rents? In particular, how are the royalties received by the lessor to be treated for this purpose?

In the *Tollemache* case a sand-pit had been let on lease for twenty-one years from March 1946 at a surface rent of £10 p.a. (£5 per acre being payable for each of an additional five acres which were later occupied) *plus* a royalty of 6*d* per ton for all sand worked. In 1946–47 the royalties amounted to just under £100, but they had since gradually risen to £850 in 1955–56, averaging £390 over the whole period.

The sand-pit had not been separately assessed to Schedule A at first, but for the year 1953–54 an assessment had been made in the amount of £3 5*s* in respect of the land originally occupied, an additional assessment being made for the additional five acres occupied, and the whole of the Schedule A assessment was about £11.

An assessment, after certain amendments, was made on the estate in the sum of £35 in respect of the *fixed rents* and £646 in respect of the royalties actually received in the year 1953–54 *less* the amount of the Schedule A assessment in that year, the net figure on that basis, after amendment, being agreed at £577.

Whether Royalties to be Treated as Part of Rent

The main question was whether for the purpose of an excess rent assessment regard was to be had to royalties as well as to the surface rent, or whether the fixed surface rent only should be considered, which in this case would have been £35.

Section 175 (1) provides that

> 'if as respects any year of assessment, the immediate lessor of a unit of assessment is entitled in respect of the unit to any rent payable under a lease . . . he shall be chargeable to tax under Case VI of Schedule D in respect of the excess, if any, of the amount which would have been the amount of the assessment of the unit for the purposes of Schedule A . . . if the annual value of the unit had been determined . . . by reference to that rent and the other terms of the lease . . . over whichever is

the greater of (*a*) the actual amount of the assessment...'

In the circumstances of the *Tollemache* case, what was 'the rent' payable under the lease in question?

The Court held in favour of the Revenue that the royalties formed part of the rent just as much as the surface rent itself did.

It is curious that tax law appears to be without authority on this point. In rating law, however, royalties have been regarded as part of the rent ever since the decision nearly a century ago in *R. v. Westbrook* ((1847) 10 Q.B. 178). The principle of this case was held to apply equally to tax law in the *Tollemache Estates* case.

Notional Assessment

The next point that arose was as to the method of arriving at the excess rent assessment on the basis that the royalties were to be treated as part of the rent. The royalties, of course, had varied from year to year and they were likely to vary in the future as well. The Crown contended that the royalty figures were to be taken year by year and that for this purpose the actual receipts were to be considered if the assessment was made at the end of the year or, alternatively, the prospective receipts, based on the receipts of the previous year, if the assessment was to be made at the beginning of each year. The question whether the calculation of the royalties had to be made at the beginning or at the end of the year was but a minor point. The crux of the matter was whether, as the Revenue contended, the calculation, as far as the royalties were concerned, was to be on the basis of a figure derived from the actual or prospective royalties receipts, which figure would have to be treated as if it were a gross assessment, and would then be adjustable by deductions for the repairs allowance and other allowances and reliefs allowed by Sections 93 and 59 of the Income Tax Act, 1952. The Court rejected this contention.

The Proper Method

It is quite clear from Section 175, that in order to determine the excess, a notional assessment must be made on the basis of the rent and other terms of the lease.

This notional assessment must be made in accordance with the method laid down in Section 82 (2) of the Act for the purpose of arriving at the actual assessment. Under paragraph 2 (*a*), if the premises have been let at a 'rack-rent' and that rent has been fixed by agreement commencing within the period of seven years preceding April 5th next before the time of making the assessment, the amount of that rent has to be regarded. Prima facie, therefore, as the lease was granted in March 1946 and the assessment was for 1952–53, the lease was just within the seven-year period, so that regard had to be paid to the rent including the royalties payable thereunder, if such rent and royalties constituted a rack-rent.

If they did not, then the computation would have to be made under paragraph 2 (*b*) on the basis of the rack-rent at which the land was worth to be let by the year. One difficulty, however, was that the royalties varied, and were likely to vary from year to year, so that there was no constant figure on which to base the assessment. This difficulty, nevertheless, could be obviated by averaging out the variable rent in as far as it consisted of royalties, as in the case of *C.I.R. v. Dickson's Executors* (7 A.T.C. 485; 14 T.C. 69). In that case the rent was a progressive rent and it was held that the Commissioners could spread the rent and average it over the years with the result that in an initial year the annual value might be higher than the rent received in that year. Whether, however, the process had to be repeated and different results reached every year was a point on which the Court in the *Tollemache* case did not give any decision.

The Court accordingly remitted the case to the Commissioners with a direction that a notional assessment was to be made by reference to the rent, including the royalties and the other terms of the lease. They had either to treat the rent as a variable rent which was to be averaged out (in accordance with *Dickson's* case), proceeding for this purpose on the basis that the actual rent was the rack-rent within paragraph 2 (*a*) of Section 82, or else they had to determine what was the rack-rent, proceeding for this purpose under paragraph 2 (*b*).

The Commissioners had to look at the matter as at the moment of assessment (i.e. 1953–54). They were entitled to regard the royalties subsequently received. That did not, however, prevent them from looking into the future generally and estimating what was likely to be the amount of royalties in the future. On this basis they would be able to determine the hypothetical rent; that is, it seems, if they considered that the existing lease did not provide a rack-rent within paragraph 2 (*a*). Having thus ascertained the rack-rent, the calculation would proceed in the manner laid down by Section 175 for determining the amount of the excess rent.

Accounting Education

An Open Memorandum to the Parker Committee

by C. A. WESTWICK, B.Sc.(Econ.), A.C.A.

THIS article is intended as a practical contribution to the discussion on the subject of training for the profession, with special reference to the inquiry now being undertaken by the committee on education and training appointed by The Institute of Chartered Accountants in England and Wales.

What is an Accountant?

I think it is logical to consider first what our system of education and training is trying to produce, i.e. 'What is an accountant?'. I understand him to be:

(*a*) a person who collects, processes, presents and interprets data, mainly financial, concerning the progress or position of some economic unit;
(*b*) an 'applied lawyer': arranging numbers according to the rules of the game;
(*c*) an auditor.

An individual accountant will almost certainly specialize in one of these fields. Field (*a*), of which the interpretive function is the most important, is that of the 'industrial accountant'; fields (*b*) and (*c*) are those of the 'practitioner'. At the present time about a third of the Institute's membership is in industry[1], the majority of the remainder being in practice, either as principals or employees. No information is available as to how the practitioner allocates his time, but in America 53 per cent of a medium-sized firm's work is auditing and 25 per cent taxes.[2]

Examinations

Do the examinations suitably test the knowledge likely to be required by a chartered accountant? A third of the Final examination, and presumably a third of the candidates' studies, is devoted to purely 'practitioner' subjects which candidates headed for industry will never need to know. This is very wasteful in itself, but it has an equally bad side effect in that the 'industrial' candidate qualifies knowing insufficient costing and nothing about industrial legislation, trade unionism, or scientific management.

One solution would be for the Institute to limit itself to members in practice; but it would be a very bad solution. I think it an excellent idea that accountants in practice, in industry, in commerce and in government (local or national) should all be in one society. They can then learn from, and help each other; ideas can grow from cross-fertilization.

A better solution, I submit, would be to divide the Final examination into three sections: one for those who intend to practice, one for those bound for commerce, and one for common ground subjects. This would enable each specialist to cover his 'side' more thoroughly, having become acquainted with the elements of both sides in a suitably revised Intermediate.

Passing the practice section would be a prerequisite for those intending to enter public practice, but if a person, having taken the industry section, wanted to go into practice he should be allowed to take the practice section on its own. The practice section would contain questions on running a professional office, billing clients, etc. The industry section, in addition to papers on management, industrial law and trade unions, might have a paper similar to the Society's 'Management accounting with special reference to the interpretation of accounts and use of costing data' which covered a wider field than does the Institute's 'General financial knowledge, cost and management accounting'.

'Economics' might form a separate paper in the common ground section; the paper would be mainly descriptive, but with enough analysis for appreciating the possible economic effects of events. The purpose of the paper would be to give students a greater understanding of the nature of business problems, and hence a more critical approach to their solution.

Another paper suitable for the common ground section would be similar to the American 'Theory of accounts', in one of which discussion subjects on the following lines were included[3]:

[1] This is implied in the paper, 'The Future Role of the Accountant in Industry', by W. W. Fea, B.A., A.C.A., paragraphs 11–14. *The Accountant*, November 8th, 1958.

[2] *Standards of Education and Experience for Certified Public Accountants*, University of Michigan, page 14.

[3] *Journal of Accountancy*, June 1954, page 737.

(1) Depreciation when plant is shut down.
(2) Discuss and criticize an Institute recommendation.
(3) Given a balance sheet and additional information, advocate reasoned changes in classification and terminology.

A determined effort should be made to eliminate questions from the examinations which, in practice, would be answered by reference to a textbook or statute, replacing them by problems which require the candidate to apply basic facts to novel situations. If the statutes and textbooks were, within the limit of practicality, supplied in the examination room, it would then become a much more realistic test of professional competence.

Practical Experience

Apprenticeship is a useful method of learning when a subject is in its infancy and there are neither accepted principles nor places in which to teach them. As a subject develops, however, and as the educational facilities of the country develops, all the accumulated experiences of the profession will not be repeated in any one apprentice's period of indenture. He will only obtain this experience through textbooks, or in places of formal instruction. This is illustrated by Italian history. In 1742, qualification for the Milan association of accountants was by a five-year apprenticeship. In 1906, graduates of technical institutes, formed some forty years before to teach book-keeping and commercial law, had their apprenticeship reduced to two years; and by 1930 increasing numbers were approaching accounting by way of the universities[4].

Articles are certainly not the only method of obtaining practical experience. The Canadian Institute requires five-year articles, but in Australia the period is four years and is rarely under articles. Experience requirements vary from State to State in the U.S.A. but in general it is three years, not under articles[5]. Half of the Society's 8,000 pre-integration students were not articled.

Apprenticeship is becoming out-moded. In practice it has other disadvantages as is best shown by these authoritative quotations:

> *The Economist:* 'No one can doubt that articled service gives an articled clerk an invaluable foundation of professional independence and judgement, *even if its inescapable concentration* on taxation and auditing leaves too little opportunity for developing accounts as a tool of managerial and industrial control[6]'. (The italics are mine.)

Mr Spicer (of Spicer & Pegler, and Foulks Lynch) said this at the International Accountants' Congress in 1926:

> 'There is no central authority to see that a clerk .... receives a training that is likely to qualify him as a useful member of the profession.... Perhaps the most unsatisfactory training .... is to be found in very small offices .... or in very big offices where the work is highly departmentalized .... some firms specialize .... and here again the training of an articled clerk is bound to be one-sided. It is a matter for consideration whether a central authority should not lay down the nature of the practical training that every articled clerk should receive, and prevent any practising chartered accountant who cannot offer and provide the minimum facilities laid down from granting articles.'

In 1927 Mr F. R. M. de Paula wrote this to *The Accountant*:

> '... in my opinion the present system of education is far from satisfactory.
>
> 'The practical work of the average articled clerk is devoted mainly to routine checking, which is of little educational value, and the theoretical studies of the great proportion of students are conducted by the professional "crammers". No doubt the results are satisfactory from an examination point of view, but from the point of view of the education of the future members of a great profession the present position is capable of considerable improvement.'[7]

Despite the fact that few applications have been refused, only 2 per cent of the total number of clerks take advantage of the opportunity which the Institute allows to gain up to six months' industrial experience. There are probably two strong reasons for the smallness of the group:

(1) such experience is not likely greatly to improve the average clerk's examination chances; and
(2) there is no machinery to put those interested in touch with appropriate concerns.

If the Final examination was reorganized in the way I have suggested, the first point would become invalid and so there would be a great

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[4] 'Education for Public Accounting', Professor L. L. Vance, *Accounting Review*, October, 1956, page 573.

[5] Six States account for 60 per cent of the total number of C.P.As. Their experience requirements are: New York,* three years; California*, three to four years, Illinois, one to three years; Pennsylvania*, two to three years; Texas*, one to four years; New Jersey, three years. All require college study of up to four years. Those starred make an attempt at defining the nature, as well as the location, of the experience. This phrase is from Texas '...work of a non-routine accounting nature which continually requires independent thought and judgment on important accounting matters'.

[6] *The Economist*, January 19th, 1957, page 217.

[7] *The Accountant*, January 1st, 1927, page 31.

need to set up machinery as mentioned in (2). Even if the examination was not altered, an increase in the number of clerks gaining industrial experience is greatly to be desired.

Practical experience is necessary. On this I can do no better than quote the American report on *Standards of Education* already mentioned:

> 'The fundamental contribution which accounting experience can make to the technical training of the individual results from exposure to actual business situations. Familiarity with records and operating procedures in a realistic business setting, and the application of principles to concrete situations represents a type of training which can be obtained most effectively through experience....'
>
> 'Perhaps the most important contribution of accounting experience to the training of potential C.P.A.s is the development of such personal qualities as maturity, poise, self-assurance and the ability to meet and work successfully with other people. One author has stated that experience teaches the prospective C.P.A. ... how to be tactful in his dealings with others, how to secure information and decisions from superiors or from members of a client's staff without upsetting their daily routine, and how to be self-possessed and tactful under trying circumstances.'[8]

The problem of how to obtain the necessary practical experience whilst avoiding the disadvantages of the system of articles could be solved on the following lines:

(1) Remove the restriction on the number of clerks a principal may take. (There is no restriction in Scotland.)

(2) Reduce the length of articles, as in this suggested scheme:
   - (*a*) Ordinary level, enter at 17, four years articles, qualify 21.
   - (*b*) Advanced level, enter at 18, three years articles, qualify 21.
   - (*c*) Graduates, enter at 21, two years articles, qualify 23.

(3) Require the principal to submit a programme of training for the Institute's approval when applying to register articles. This would give the clerk a better safeguard than would be removed at (1) above[9].

(4) As a result of the experience gained from the working of (3), the Institute could, at a later stage
   - (*a*) draw up a definition of necessary experience;
   - (*b*) maintain a register of firms where suitable experience was available, provision being made for firms providing only part of the experience required in (*a*), on an analogy with the medical profession's teaching hospitals.

But practical training, however good, without a good theoretical background loses much of its value. Research is also needed. The next quotation sums up these two points well, and is particularly relevant as one pursues the analogy with the medical profession:

> 'The general practitioner is the most important member of the profession, but medicine would still be at the stage of iodine and castor oil if the G.P.'s work was not supported by people who possess profound theoretical knowledge, although they may be unable to make an injection or diagnose measles....
>
> 'As a matter of fact the thorough knowledge of principles, and of methods of solving problems, ensures a much greater ability to deal with every-day life than a knowledge of a great number of facts....
>
> 'The processes taking place within society are even more complicated than those of the human body and therefore an even greater degree of theoretical education is necessary to understand them. It is true that disciplines pertaining to social processes are far less developed than those pertaining to the human body, but that is just another reason why progress in that sphere is even more essential'.[10]

Tuition, Correspondence or Oral?

A correspondence school is as near as the pillar box; but if a clerk's firm is large enough to give him adequate experience it will be in a town large enough to support a suitable educational establishment. Correspondence schools have two undoubted advantages: they do not interfere with sending clerks on out-of-town audits; and a clerk may, within limits, proceed at his own pace.

Against this must be set the advantages of oral tuition: being able to ask questions, such as why the 'model answer' is better, and not just a different method (this counters the natural dogmatism of tutors and keeps the clerk's mind open and critical); being able to increase one's experience vicariously through other clerks.

I would like to suggest the following tentative solution to the problem. Arrangements should

[8] *Standards of Education* (see footnote 2), page 77.

[9] At the present moment the number of cases in which a person, having passed the Final examination, is refused membership because of inadequate experience, is extremely small and for all practical purposes may be ignored.

[10] 'Training or Education', Jan Szary, *Chartered Accountant in Australia*, July 1955, page 30.

be made with the Ministry of Education for oral tuition to be given to articled clerks. This would reduce the cost to articled clerks.[11] The course could be based on notes prepared by a central body. (The Canadian Institutes have arrangements with the universities who provide correspondence courses.) The advantage of this would be to spread the cost of tutorial matter over a large number of students; this would be particularly important if anything modelled on the Harvard scheme (see below) was introduced, as the cost of collecting case material is high. The British Columbian Institute, alone of the Canadian chartered bodies, utilizes this method of a correspondence course combined with oral tuition, and it is significant that its examination results are from 16–26 per cent better than average.[12]

In their final year students could attend classes modelled on the Harvard system of case instruction. This system is important for two reasons: first, it emphasizes the importance of a close link with the active workers in the field; secondly, because

> 'the solution of the typical formal problem in accounting is largely an arithmetical matter, with some latitude here and there for interpretation. But in actual business the determination of what the problem is, what the business setting is, and what information will contribute to its solution are the first and greatest problems'.[13]

The classes at Harvard[14] which are about sixty strong are given cyclostyled 'hand-outs', varying in length from one to twenty pages, describing business situations and problems, which have been collected by research workers. About ten of the class prepare for the discussion, and everyone may join in.

In the early stages there is confusion. The students are faced with the awful realization that they must decide things about which neither they nor anyone else really knows very much. As the classes go on there is a rather frustrating lack of a sense of accomplishment; but there is an increase in the power to think, and a willingness to face up to problems. There is an increasing confidence in facing the unknown; there is an incidental, but considerable, addition to the students' store of knowledge. The system gives an understanding of the *human* side of business. Not only has the student got to decide *what* to do, but he must choose *who* is to do it.

If this seems revolutionary may I quote the Scottish President discussing the academic year, an even more 'revolutionary' step.

> 'I betray no secrets when I tell you that when the proposal of the academic year was first mooted, the reaction of the special committee and of many members of the Council, including myself, was very definitely against it. The more we studied the problem, however, the more we became convinced that a step of this kind must be taken if the training of future members is to be kept abreast of modern requirements'.[15]

Educational Standards for Entry upon Training

If the reforms I suggest should be adopted I feel that the course of training of the Institute will be very much more attractive to students, it will be more stimulating, and be seen to be adding to the students' knowledge rather than an imposed evil to be endured; it will be less of an economic drain on parents. As a result of this I doubt if there will be a continuance of the difficulty of getting articled clerks.

Entrants should be tested on the ability to read carefully, reason, and explain clearly. English is very important; mathematics is a good test of reasoning but, like accounting, it uses a specialized language often unintelligible to the layman, and therefore fails on the count of explanation. I wonder how many examination failures are attributable to bad initial selection, and whether aptitude tests would be any help?

A good general education is of the greatest value to an accountant who must often play the role of an impartial observer; impartiality springs from a wide understanding. So the entrant should be encouraged to stay longer at school, and if possible to go to a university. The scheme suggested under 'Practical experience' might help.

Envoi

This paper aims at practical, reasoned suggestions for reform, based on a desire for the Institute to remain the leading body of accountants in a world with different needs and different facilities. Criticism will be welcomed.

[11] Approximate cost of a correspondence course for chartered Intermediate and Final is £45; for a four-years' evening course in London, £16.

[12] *Canadian Chartered Accountant*, June 1955, page 379.

[13] *The Case Method of Instruction*, ed: C. E. Fraser, New York, 1931, page 73.

[14] This is based on 'The question that has not been asked cannot be answered', by J. W. Cuthton, Associate Professor of Business Administration, Harvard, in *Education for Professional Responsibility*.

[15] Quoted by Professor L. L. Vance, *Accounting Review*, October 1956, page 575.

What *ought* a Managing Director to Require from Management Accounting?

by M. A. FIENNES, M.I.Mech.E.
Managing Director, Davy-United Limited

I HOPE I shall not be treading on too many toes, if I say that I regard the term 'management accounting' with a certain suspicion. In particular, the term seems to me to imply that there is some other form of accounting which is not management accounting – or, if you like, that there is accounting for the sake of accounting, rather than for the sake of management.

No doubt there have been and still are in industry accountants who are content with the simple book-keeping which produces a balance sheet and profit and loss account once a year and which tells the shareholders what has happened to their money and what are the assets and liabilities. Possibly, in many businesses which are small in size and scope, this is adequate. The enterprise which is small enough to be under the close and detailed day-to-day control of a single man, who is in the position of seeing everything that goes on and where the money is being spent, may not call for any great elaboration in accounting method. But that type of business is really outside the scope of this discussion and the reference in this context to management accounting means a type of accountancy which has as its objective not only a report to the owners of a business once a year, but also to tell the manager of the business what he is doing with the shareholder's money day by day between the times when he is called upon to render an account of his stewardship, and so provide him with a measure of control.

Means to an End

At all events, I think there is some danger in treating management accounting as something rather new, which it certainly is not, and I believe it is similarly undesirable, whatever the professional vested interests may be, to allow too much jargon to feed upon it. One has seen the same sort of thing occur in other directions, for example in the field of personnel management, where a new breed called a 'personnel manager' has appeared, apparently in the belief that it is only in recent years that personnel have had to be managed. So with management accountancy, or with any other form of accountancy, let us never lose sight of the obvious truth that accountancy is a means to an end and not an end in itself. After all, lots of people, for years past, have used accountancy as an aid to management. What has been done, more recently, is to improve the technique of doing so and to apply it to types of businesses where previously the difficulties seemed rather formidable.

Managing directors are of many kinds and have reached their exalted stations by widely varying channels. Some are born great, some make themselves great, some have greatness thrust upon them; and let us face it, some are not very great at all. Some occupy the managerial desk by reason of ownership of a business. Some have got there by technical or business knowledge and ability. Some by qualities of leadership. Some have arrived by sheer hard work. Others have got there by low cunning. Not a few, low be it spoken, reached the dizzy pinnacle because they were accountants.

So not only will the nature of a business itself dictate its particular need in the treatment of accountancy, but in so far as the accountant is providing information for his own particular managing director, he will have to have some regard to the idiosyncrasies and the background of the latter. For example, the managing director who is an accountant by training can probably absorb the significance of bare figures and understand the inbuilt jargon with greater facility than someone like myself, an engineer, who much prefers seeing the wheels go round and the physical shape of things, to studying figures which frequently prove to be depressing for one reason or another. I like somebody else to study figures for me and assess their significance, presenting me with the broad interpretation and pointing to the action which the figures suggest ought to be taken. This, you may say, is sheer laziness, but my riposte is that it is only too easy for a chief executive to get so bogged down in detail that he loses sight of the broader issues.

In short, the answer to the question 'What *ought* a managing director to require from management accounting?' might well be the classic evasion 'It all all depends . . .' However, if I rest on that conclusion, you will hardly think I have done my job. It would be much easier if I could alter the title to ask 'What ought a managing director to require from his accountant?'. As a matter of fact, when I first started to prepare this paper, I thought that this was what I had to speak upon and it was only when I had gone some distance that I found that I was on the wrong subject and had to start all over again. Not, however, before I had been able to list a few things that a managing director ought to require from his accountant. A few of the cardinal virtues for instance,

[1] The substance of a lecture given at meetings of the Sheffield and Manchester Societies of Chartered Accountants.

such as ability to do the sums right; a suitable deferential manner; a nice way with the Inspector of Taxes; presenting statements to the board in a manner which shows the managing director in the best and not the worst light; and so forth.

Changing Face of Industry

But when all is said and done, the greater emphasis which has been placed during recent years upon the use of accountancy as a greater aid to management springs from the changing face of many industries. It is not only that industry has tended to become concentrated in larger manufacturing or distributive units. The rapid increase in rates of wages during the last ten years in particular has resulted in a corresponding increase in the degree of mechanization. The trend in this country, in fact, is similar to the trend in America during the previous decade and it has been accompanied not only by more machinery, but by very much more expensive machinery, culminating in varying degrees of automation, where the capital charges can be very high indeed.

It is an interesting reflection, in fact, that in the fully automatic factory, where everything is done by machine, the old accountancy conventions of what is direct expense and what is indirect or overhead expense may practically go into reverse. The only direct labour, presumably, will be the managing director himself, sitting at his desk pushing a few buttons; there will be a little indirect labour in the shape of the people who maintain the plant and see that the right buttons are connected to the right things, and there may still be somebody to bring the managing director his tea; but by far the largest element in production cost is likely to be the capital charges, and particularly the depreciation charge on the plant as a whole, although even that may be outstripped by provision for obsolescence.

If this vision into Utopia is too fanciful, I am merely reducing, possibly to absurdity, a trend which in fact is taking place, where in many industries the capital charges on productive assets have become the largest single element in production costs. The expensive machine tool which has been installed so as to save expenditure in direct wages and to reduce demand upon scarce skilled man-power, is only an economic proposition if it can be kept fully and constantly employed. It is being paid for by the customer when it is cutting metal; and by the owner when it is idle. The need therefore to ensure that expensive assets are kept employed to the highest possible load factor has called for a much closer look at all those factors which affect its full utilization and, having established these factors, it is then necessary to keep them under control. In most cases the only opportunity which the head of the business has of seeing whether they *are* under control is by suitable adaptation of the methods of accountancy, that is to say by methods which will show him the financial gains or losses which arise from full or partial employment of assets.

Management of Money

But I am really going a step ahead of my theme. It is worth reminding ourselves that all business, whether it is productive industry or otherwise is at root, a matter of management of money. There are, of course, many other things to be managed as well, because any enterprise consists essentially of the people employed in it, but this indeed supports the basic truth, because the manner in which the money is managed will in turn depend in large measure upon the human material employed in that enterprise.

Also, money should not just be spent. It should be spent by design and not by accident and spent by considered action to achieve a considered purpose.

All this is easy to say but much less easy to put into practice, particularly as the size of an enterprise grows. It is on accountancy that we must rely to provide the means of control and since, as I have already tried to show, the detailed nature of the accountancy must depend upon many things and the answer will vary from one business to another, nevertheless the principles are much the same. And because abstract principles are rarely satisfying, except in philosophical discourse, I shall try to describe how we are attempting to apply them in the company for whose management I am responsible.

I am referring to a heavy engineering business employing about 3,500 people in three distinct geographical locations. The product is heavy machinery for the steel and metal-working industries and it is inherent in the business that at any given time some 75–80 per cent of the order book may consist of only fifteen contracts or so totalling several million pounds in value. These contracts individually may vary in magnitude from £½ million to £7 million in value and it is not uncommon for two and a half to three and a half years to elapse from the time a contract is taken until it is finally completed, including the guarantee period. It is also inherent that there is very little work which is repetitive. Most contracts involve a high proportion of new design work and new drawings. Many materials cannot be ordered in detail until these drawings are prepared, which may in some cases be a year or more after the contract is received.

At any time, there is a vast volume of diverse materials on the shop floor and a considerable administrative apparatus has had to be built up to direct and control the flow of these materials. In fact, one of the major problems in physical management is that of getting the right stuff to the right place at the right time.

Job Costing Essential

We are the direct opposite of repetitive production, where standard costing, in the usually accepted sense, is widespread. We do not make so many things per day or per week or per month or per year. With us, it is a case of so many years per thing. Job costing is therefore essential. Furthermore, we frequently have to sell our products on the basis of

designs which may only be in embryo and establish our prices upon estimated weights of machinery which *ipso facto* are only approximate. We employ a staff of estimators who are forecasting the cost of something which may be only roughly established and for which only slender data may exist. They exercise remarkable skill and in most cases astonishing accuracy, but the managing director, who will have to carry the can if things go wrong, lives with the nightmare that the large contract on which he had expected to make the bulk of his profit in a given financial year, may turn out for one reason or another, to have made a loss; and that above all he may not know what is happening until it is much too late to do anything about it.

Clearly, this kind of thing will not do and we have to lay down certain principles of control in which the accountant must play a leading part in full partnership with the executives who, in their own respective spheres, control the actual events and, by their actions, spend the money.

This leads me to a point of importance which must be fully understood. As the managing director of a fair-sized company, I do not in fact spend the money. At least, I spend some of it and I directly control capital expenditure – but the actual incurring of expenditure on current production is done by the heads of my main departments or by their staffs. For example, whenever a draughtsman puts pencil to paper and draws a line, he generates cost. The more lines he draws, the more cost he generates. If this is an over-simplification, you will at least agree that if he draws no lines he will generate no cost. (Apart, of course, from the cost of his own idleness.) It is extremely important in such a business to ensure that, having once sold a piece of custom built machinery upon a slender design basis, but on a written specification, the designer or draughtsman does not improve upon it to suit his own whim or the customer's fancy and in the process involve the company in considerably more cost than was estimated when the job was priced.

Re-estimating Costs

We have therefore found it necessary to establish our estimates in a form in which they can be used for subsequent cost control. Our first step therefore is to re-estimate the cost of each unit of machinery within a large contract when the design has been developed – and then to compare this fresh estimate with the original upon which the selling price was based.

This re-estimate, which is then upon a factual basis, is the control element with which subsequent cost information is compared; and it is therefore the key to our management accountancy. If, at this stage, we find that the original estimate was in error, then we may have to write off the difference then and there unless, of course, we can persuade the customer to pay us more money.

Some 60 per cent of our annual turnover is represented on average by the price of the materials which we have to buy, the remaining 40 per cent being the cost of converting those materials into finished machinery, including our profit. It is therefore of great importance to know that in buying materials – which means entering into commitments to pay for materials which will be delivered some months later – these commitments are in line with what we estimated we had to pay and that any unavoidable variances are known and authorized as they are incurred. Not only this, but when the materials are delivered, actual prices paid must be compared with the commitments and with the estimate and it is important that the cost department should be able to feed this information back in the right form for comparison and scrutiny with the minimum of delay.

Similar processes have to be employed in the case of expenditure on direct wages, that is to say upon the skilled craftsmen who operate our machine tools and build the machinery. The aggregates of rate-fixed times must be compared with the times in the control estimate and variances immediately reported back. Later, the actual cost incurred must be compared with the rate-fixed cost so that even if excess cost has been unavoidably incurred, the experience may be incorporated in estimates for new jobs.

If some of this appears to be less than accountancy in the professional sense, let me point out that it is of the very essence of accounting in the literal sense – for you authorize a member of your staff to spend an agreed amount of the shareholders' money on certain things and then, by comparing what he spent with what you authorized, you hold him accountable for the result.

Control of Overheads

But we have the much more difficult problem of the control of overhead expenses. The absorption, in a business of this kind, of the burden of overhead expense into contract cost on such variable production has many problems; and if it is not carefully handled it can result in a heavy under-recovery of overhead expenses at the end of the financial year – which is further complicated by the effect of inflation on overhead expenses which is not always recoverable under escalator clauses – but this is really a subject on its own.

So far as I know, there is one basic method of exercising this control and that is the budgetary method. Going back to the principle that it is not I who spend the money, but the people down the line, it is clear that they in turn must be held accountable for what they spend. To do this, it is necessary to agree what they are allowed to spend and show them, promptly, what they have actually spent. Heads of departments or subheads must be required to estimate the expenditure necessary to discharge the responsibilities placed upon them. Agreement on these figures constitutes the budget and authority to spend up to that limit. The periodic comparison of actual expenditure with the budget provides the method of control.

Of course there is nothing new in this. It is done in any number of companies up and down the country but the point is to establish that management accountancy in this context is not so much accountancy for the sole purposes of the managing director, but accountancy as an aid to the activities of the departmental heads and executives.

But in dealing with this troublesome matter of absorption of overhead expense, there is more to be done. Overheads must, of course, be absorbed on certain assumptions, the chief of which is that the plant in its component parts will operate for a stated number of hours per year. Thus, if the actual expenditure is within the budget, if the calculations to absorb this expenditure into contract cost are correctly conceived, and if the plant operates to the budgeted number of hours, then the overheads will be fully absorbed. But in practice, many things can happen which affect this issue. For one reason or another the actual expenditure on overheads will vary, some avoidably, some not. Different machines will rightly attract different proportions of the total overhead burden so that, to achieve any accuracy in cost, the rates of absorption must be varied according to different sections of the plant; and then, these machines will not all work exactly for the specified number of hours, so the end result can be influenced by a number of different factors.

For example, let us take the simple case of a lathe which has been planned to operate for forty-four hours a week; and let us assume that its total share of the overhead burden works out at 10*s* per hour. It is obvious that if in any week it only works for forty hours, there will be 40*s* of overhead expenditure under absorbed. The question is, who controls this? Why did the machine only work for forty hours instead of forty-four? Is it that the operator habitually goes home early or starts late? Is it that the machine requires regular attendance to stop it breaking down? Is it that there is a shortage of material, or inadequacy in the arrangements for feeding of material so as to preserve continuity of production? Whatever the reason may be, in most cases it is controllable and the object of management accountancy in a typical case such as this, is to provide to the responsible executive the facts of the situation and to show him the monetary loss which is incurred by any or all of the reasons for that loss. This, one hopes, will be the spur to him to take corrective action, because he will know that a summation of the results on individual machines will go to the shop manager; the shop manager will know that a summation of the results for individual departments will go to the works manager; and the works manager will know that a summation of the results of individual works will go to the managing director.

I have of course taken only one example of shop floor control. There are several other matters which govern productive efficiency which can be dealt with on similar lines.

Interpreting the Facts

You will see perhaps how important it is that action of this kind should be done, as a matter of mechanics, in a way in which it is easily understandable and interpreted. I said earlier that I personally like to have figures interpreted to me. How much more so must this be to a harassed foreman on the shop floor and the busy manager of the machine shop. He has not time to sit with a wet towel round his head wondering what all these figures mean. If therefore the accountant is to be effective, he must essentially be an interpreter. He must be the man who can say to the foreman in charge of my lathe, 'George, did you realize your machine is only working forty hours a week on account of frequent breakdown? Hadn't you better get hold of the maintenance people to put it right?' Or he may say to the production manager 'Bill, do you know that lathe No. T44 is only operating forty hours a week resulting in a loss of 40*s* per week because the work is not being fed into it?'

And there is another point. It is of great importance for accountancy of this kind to be effective, that the accountants who are interpreting the facts of the situation to those who have the control of events in their hands, should not come to be regarded as the private Gestapo of the managing director. Their objective should always be to try to put the executive concerned in possession of the facts and the reason therefor, before any summary of the results goes into the head man. They are there to help and not to scourge. Human nature being what it is, it is unlikely that co-operation will exist between the accountants and the production executive, if the latter are likely to be called to book for shortcomings of whose existence they may be unaware, or which they may have had no opportunity to study.

You may see then that this kind of accountancy goes far beyond the conventional objective of presenting a statement of the company's affairs to the shareholders once a year or to the board of directors once a month. It goes far beyond the conception of cost accountancy which had as its objective the mere collection and recording of the cost of a contract for the purpose of seeing whether the contract made a profit or a loss and the result often published long after the event. On the contrary, accountancy of the kind I have attempted to describe has for its objective the day-to-day control of expense at all levels in relation to authorized standards or budgets, call them what you will. This is what I require of management accountancy in the business for which I am responsible and I think that the principles will not differ markedly from one business to another.

It is, however, necessary to utter a word of warning. Particularly in the kind of business which I have tried to describe, it is easy to lose one's sense of proportion and to ask for more and more information in ever finer analyses, to an extent where the cost of producing it can become appreciably greater than

the value of knowing it. Computer techniques may possibly produce still greater funds of useful information at greater speed and at no greater cost, and speed is of the essence. It is no use offering dead meat as a tool of management. The cost of an event must be thrown up to the man who caused the event while he still remembers what happened and why. Paper which is stale is paper wasted and the only place for it is the waste-paper basket. Time will show what further mechanization can do, but I am sure that the efficiency of business, which in so many cases means efficiency in the utilization of assets, must depend upon more precise methods of control of the expenditure of money than has always existed in the past. And, furthermore, that this control must be broken down and delegated to the people who are actually responsible for the spending. The days are gone, I believe, in a business of any reasonable size, where information about expenditure, or about profits, can reside solely in the hands of one man or a small group.

I have tried to describe what I mean by management accountancy. I do not pretend it is exhaustive. You may or may not agree, but I see it as a technique, not simply of recording what happened to money and assets (which is no more than the static record of history), but a technique of controlling by successive acts of management, the expenditure of money and the utilization of assets (which is a matter of dynamic generalship). It not only employs the method of comparing what was done with what ought to have been done, but it also gives the marching orders to the officers, who are the people who have the authority to control events.

Four Points

If this is management accountancy, what ought a managing director to require of it?

First, that it works, that it is simple and that it is intelligible.

Second, that it is not too expensive.

Third, that it is rapid.

Fourth, that it is treated as a means to an end, never as an end in itself.

What is this end? If you accept that the job of a managing director is to produce from his enterprise a proper financial reward in relation to the capital employed – or, less pompously, a reasonable profit – then, it is not a bad idea for him to know what constitutes a respectable profit and how he is going to earn it. He ought therefore to be in a position to engineer his annual profit. He should be able so to organize his affairs, that if certain conditions are satisfied, a predetermined profit will be earned. The individual objectives and authorizations which are set to his executive staff should be the analysis of this plan of campaign. Management accountancy should provide him with the nerve system to enable him to control the execution of the plan in all its manifold aspects. By that standard its effectiveness must be judged.

So this is what I want from management accountancy, whether it is what I *ought* to want is for you to judge.

Weekly Notes

Schools, Conferences and Courses

SEPTEMBER is the month of residential schools, conferences and courses. Last week-end – as we noted in our last issue – while members of The Institute of Municipal Treasurers and Accountants met together in conference at Caius College, Cambridge, the sixth residential course of the London Chartered Accountant Students' Society was being held at Balliol College, Oxford. (A report of the students' conference appears on another page.)

During next week, the tenth annual summer school of The Institute of Cost and Works Accountants, details of which appeared in *The Accountant* of April 18th last, will take place in St Catharine's College, Cambridge, and commencing on Thursday at Pembroke College, the London and District Society of Chartered Accountants are holding a three-day conference on management accounting.

About 150 London chartered accountants will be attending the conference at Pembroke under the chairmanship of Mr C. B. C. Hughes, B.A., A.C.A. The opening address will be given by Mr C. H. Sutton, F.C.A., President of the East Anglian Society of Chartered Accountants; papers will be presented by Mr H. O. H. Coulson, F.C.A. ('An ordinary accountant looks at management accounting'), and by Mr F. T. Hunter, F.C.A. ('The use of variances'). Case studies dealing with practical problems in actual cases will be given by Mr S. V. Bishop, M.C., A.C.A., group accountant, Richard Costain Ltd, and by Mr A. E. F. Gilbert, F.C.W.A., commercial manager, Hayward Tyler & Co Ltd. Leaders of the twelve groups into which members of the conference will be divided are: Group A, Mr L. F. Durman, F.C.A.; Group B, Mr J. C. Durnin, F.C.A.; Group C, Mr P. D. Irons, B.COM., A.C.A., member of the Council of the Institute; Group D, Mr W. H. Leather, M.A., F.C.A.; Group E, Mr B. A. Maynard, M.A., F.C.A.; Group F, Mr S. G. Morgan, M.B.E., A.C.A.; Group G, Mr L. D. Morse, F.C.A.; Group H, Mr D. Napper, A.C.A.; Group I, Mr A. H. Proud A.C.A.; Group J, Mr A. C. Ralph, A.C.A.; Group K, Mr C. Romer-Lee, M.A., F.C.A.; Group L, Mr P. L. Scott, M.B.E., A.C.A.

West Germany Taxes Fuel Oil

THE Government of Western Germany has decided to go ahead with its tax on fuel oil to help the coal industry. A Bill is to be submitted to Parliament next month. The tax, if given statutory approval, is likely to remain in operation until December 1962. The Government's intention, however, is to vary its size and duration to suit the circumstances of the coal industry.

The Ruhr has 17 million tons of unsold coal at present. The position of the industry is similar to that of the United Kingdom coal industry in that West German coal is suffering from severe price competition from oil. The tax is intended to give the coal industry a breathing space. Owing to the closure of pits, 50,000 miners are likely to lose their jobs in the next two years. The tax is expected to give the Government the necessary funds to resettle the redundant labour.

As an alternative, voluntary fixing of oil prices has already been tried without success. The large international oil companies agreed on price levels but non-signatories to the agreement undersold the cartel. The tax is expected to yield about £25 million a year, the coal and steel community putting up a corresponding sum to aid rehabilitation of the miners in accordance with the Schuman Treaty.

Limited Recovery in Private Industry?

THE latest estimates of forthcoming capital expenditure by private industry are disappointing. They are also somewhat confusing. According to the latest figures put out by the Board of Trade in its regular series of sample investigations into anticipated capital outlay, private manufacturing industry has scarcely revised its estimates since the close of last year and expects to spend less next year. The drop seems likely to be accounted for by a decrease in investment in motor vehicles which have been recently at a high level, but the figures are none the less disappointing.

The element of confusion comes from the fact that building is beginning to boom and the consumer goods industries are still doing well. The recovery from the recession thus continues to be generated mainly from public investment, consumer goods and non-manufacturing industry. There is still little sign that the boom in consumer goods is percolating on a large scale to the capital goods industries. What of early 1960? The building recovery, sustained by housing programmes and the nationalized industries, is likely to go on. The expansion programmes of service industries (including retailing) must be expected to ease off, however. In consequence, unless there is a rapid change of view by private industry (equally rapid in its translation of policy decisions into ordering and payment) the prospects for the capital goods industries in 1960 are no better than fair.

Hire-purchase Statistics

THE latest hire-purchase statistics show that the growth of hire-purchase and other instalment debt owed to household goods shops and finance houses, at £34 million in July, was the same as in June. Following the acceleration in the growth of debt, under budget and seasonal influences in the months April to June, this may, according to the Board of Trade, indicate a slowing down at the beginning of the holiday period.

The importance of hire-purchase in determining the level of sales of certain classes of goods has, of course, been demonstrated by the effect of the various controls which have been imposed from time to time on hire-purchase transactions. By July hire-purchase and other instalment credit sales accounted for 50 per cent of total sales by radio and electrical goods shops, compared with 39 per cent in the same month last year, and 47 per cent of sales of furniture and furnishing shops compared with 38 per cent, while for all types of household goods shops the figures were 39 per cent and 30 per cent respectively.

Publication of the detailed tables of hire-purchase statistics has been speeded up by a week this month and the Board of Trade state that provisional estimates will not be issued in future since final estimates will be available at about the same time in the month as the provisional estimates were formerly issued.

Steel Goes Ahead

THE steel industry in the early months of the year was slow to respond to the quickening tempo of industrial production, but the output statistics for August show a marked rise compared with 1958. In June and July the increase compared with last year was less than 2 per cent, but in August it rose to 13 per cent.

The demand for sheet and tinplate from the motor vehicle and domestic appliance industries has been at a high level for some months. The main sections of the industry to show improvement in August were those manufacturing the lighter products such as bars, rolled strip, wire rods and tube, indicating improved demand from the building and general engineering industries. In the heavy sector there has still been little improvement though there has been a small rise in orders for sections. It may be some time before there is much recovery in demand from the shipbuilding and coal-mining industries.

Even with the rise in output in August, the industry as a whole is still working at only about 80 per cent capacity and production is below the level of two years ago. The next few months should, however, see a continuation of the rise in demand in those sectors of the industry where the upturn has already begun and this may be accentuated if, as a result of the general improvement in the level of industrial production, industry as a whole starts to increase capital investment, particularly in new factory construction.

Clyde Dock Scheme Progress

ALTHOUGH the formal decision to begin construction of the new graving dock at Greenock has still to be taken, success for starting the project is almost assured.

The project is expected to cost about £4½ million of which the Treasury will loan two-thirds at an as yet undisclosed rate of interest. The remaining one-third has had to be raised in ordinary shares from Clydeside and West of Scotland heavy engineering and shipbuilding concerns, with certain facilities from the Scottish banks.

When completed, the dock will give jobs to 600 craftsmen and between 500 and 1,000 men will be employed on its construction. At over 1,000 ft. long, the dock will be the largest of its kind in the country and able to handle the large tankers now increasingly using the oil discharge terminal at Finnart on the Clyde. The scheme is expected to take four years to complete.

ACCOUNTANTS IN THE ELECTION

Five chartered accountants were elected to Parliament in the 1955 election; a sixth was elected at a bye-election in 1957. In the forthcoming General Election this number may well be exceeded. Information at present available (nominations close next Monday) is that there are twenty-two chartered accountant candidates, while two other contestants are members of The Association of Certified and Corporate Accountants. Brief details are given below:

Mr F. J. ALLAUN, B.COM., A.C.A. Labour candidate for SALFORD EAST; has been M.P. for this constituency since 1955.

Mr J. BARNETT, A.A.C.C.A., partner, J. C. Allen & Co, Certified Accountants, Manchester. Labour candidate for RUNCORN.

Mr D. W. T. BRUCE, F.C.A., practising chartered accountant. Labour candidate for THE WREKIN. Was M.P. for North Portsmouth, 1945–50. Parliamentary Private Secretary to Rt. Hon. Aneurin Bevan, 1945–50.

Major W. GIBSON CLARK, F.A.C.C.A., senior partner, W. G. Clark & Co, London. Conservative candidate for NOTTINGHAM SOUTH.

Mr L. H. CLEAVER, J.P., F.C.A., partner, Heathcote & Coleman, Chartered Accountants, Birmingham. Conservative candidate for BIRMINGHAM, YARDLEY.

Mr JACK DIAMOND, F.C.A., senior partner, John Diamond & Co, Chartered Accountants, London. Labour candidate for GLOUCESTER. Has been M.P. for this constituency since 1957. Was M.P. for Blackley, Manchester, 1945–51. Parliamentary Private Secretary to Ministry of Works, 1946–47.

Mr KENNETH F. DIBBEN, B.COM., A.C.A., with Kemp, Chatteris & Co, Chartered Accountants, London. Conservative candidate for BARKING.

Mr G. H. DODSWORTH, A.C.A., partner, Barron & Barron, Chartered Accountants, London. Conservative candidate for DON VALLEY.

Mr R. D. EMERSON, B.A., A.C.A. Liberal candidate for FOLKESTONE AND HYTHE.

Mr J. M. HOWARD, F.C.A., senior partner, John Howard & Co, Chartered Accountants, London. Conservative candidate for SOUTHAMPTON, TEST. Has been M.P. for this constituency since 1955. Parliamentary Private Secretary to the Treasury, 1957–58. Appointed P.P.S. to Parliamentary and Financial Secretary to the Admiralty in March 1958.

Mr L. M. KERSHAW, F.C.A., principal, Lawrence Kershaw & Co, Chartered Accountants, London. Labour candidate for WIMBLEDON.

Mr A. ERNEST MARPLES, A.C.A. Conservative candidate for WALLASEY. Has been M.P. for this constituency since 1945. Parliamentary Secretary to Minister of Housing and Local Government, 1951–54. Parliamentary Secretary to Minister of Pensions and National Insurance, 1954–55. Postmaster-General since January 1957.

Mr BRUCE MILLAN, C.A., with Scottish Gas Board. Labour candidate for CRAIGTON, Glasgow.

Mr W. W. MURRAY, A.C.A., director, John Mills & Sons (Newcastle) Ltd. Conservative candidate for BISHOP AUCKLAND.

Mr M. N. SHAW, J.P., F.C.A., partner, W. H. Shaw & Sons, Chartered Accountants, Dewsbury. Conservative candidate for BRIGHOUSE AND SPENBOROUGH.

Mr W. O. SMEDLEY, M.C., F.C.A., financial consultant and director of companies. Liberal candidate for WALTHAMSTOW WEST.

Mr G. P. STEVENS, F.C.A., partner, Pannell, Crewdson & Hardy, Chartered Accountants, London. Conservative candidate for PORTSMOUTH, LANGSTONE. Has been M.P. for this constituency since 1950. Chairman, Income Tax Payers' Society.

Mr F. H. TAYLOR, F.C.A., senior partner, F. H. Taylor & Co, Chartered Accountants, London. Conservative candidate for CHORLEY.

Mr P. S. THOMAS, A.C.A., senior partner, Thomas & Smith, Chartered Accountants, Redruth. Conservative candidate for PONTYPOOL.

Miss IVY THURSTON, A.C.A., A.A.C.C.A., with C. T. Moore & Co, Chartered Accountants, London. Liberal candidate for CROYDON NORTH-WEST.

Mr J. B. W. TURNER, F.C.A., partner, Eacott, Standing & Co, Windsor. Conservative candidate for FELTHAM.

Mr R. S. W. WAINWRIGHT, M.A., F.C.A., partner, Beevers & Adgie, Chartered Accountants, Leeds. Liberal candidate for COLNE VALLEY.

Mr G. E. L. WHITMARSH, F.C.A., practising chartered accountant, Taunton and Plymouth. Liberal candidate for ST IVES.

Mr H. WOMERSLEY, F.C.A., practising chartered accountant, Doncaster. Liberal candidate for BRADFORD SOUTH.

Finance and Commerce

Walker Brothers Ltd

DIVIDEND policy is an important point in the accounts of Walker Brothers Ltd, which are the subject of this week's reprint. The company has seen a marked change in its fortunes since it bought the Benford business in 1951. Benford, with its concrete mixers, diesel dumpers, powered wheelbarrows, etc., has established itself as the company's chief source of earnings. The results for the year to March 31st last can be seen in the accounts.

Mr T. A. W. Allen, the chairman, reminds shareholders of his statement when the capital was doubled by the capitalization issue that, provided all went well, the board expected to recommend a final dividend of not less than 12½ per cent on the doubled capital. The actual recommendation is 25 per cent and, says Mr Allen, 'I hope this pleases you as much as it does your board'.

Shareholders will notice, he says, that the earnings cover for the proposed dividend is not as high as usual: 1·6 times for the 30 per cent total. In effect, the directors have taken approximately 60 per cent of the year's earnings for dividend and retained 40 per cent in the business.

'The board', goes on Mr Allen, 'considers this a generous but reasonable ratio for an industrial company, provided, as in the company's case, it is justified by the year's results, the liquidity of the balance sheet, reasonable reserves and future prospects.' Parsimony, he says, has always been absent from their dividend deliberations but, he adds significantly, 'apart from one's own inclinations in the matter, things are happening in the company world today which make the traditionally accepted formula for conservative company profit appropriations suspect'.

Scottish Banks' Merger

THIRTEEN months after the merger between The Commercial Bank of Scotland Ltd and The National Bank of Scotland Ltd was first announced the conjoined bank – The National Commercial Bank of Scotland Ltd – has begun operations. The bank commands assets of some £300 million and, with Lloyds Bank as its partner, is recognized as sharing in the biggest joint-stock banking stake in hire-purchase finance.

Mr Ian Wilson Macdonald, M.A., C.A., now chairman of the new bank, was in 1945 appointed one of the auditors of The Commercial Bank. He was elected to the board in 1947 and became general manager in 1953. In that capacity he was largely responsible for the Commercial Bank's entry into hire-purchase finance, four years before any of the 'Big Five' took the step.

Having recently conducted a survey among employees of Colvilles Ltd, the Scottish steel concern, the directors of the new bank are well informed on the wage-earners attitude to banks in general. The findings of the survey may provide a guide to the attitude of industrial workers to payments of wages by cheque. Colvilles employees do not feel that joint-stock banks are particularly interested in the wage-earner and they also consider banking hours in-

WALKER BROTHERS LIMITED AND SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year ended 31st MARCH, 1959

1958			£	£
260,006	**Profit from Trading before charging items shown below**			330,285
	Deduct—	£		
	Directors' Remuneration:			
1,525	Fees	1,525		
30,121	Other Emoluments	37,093		
31,646			38,618	
720	Auditors' Fees and Expenses		850	
200	Registrars' Fees		200	
22,074	Depreciation		27,743	
5,515	Staff and Works' Pension Schemes ..		6,124	
60,155				73,535
199,851	**Profit before providing for Taxation** ..			256,750
	Deduct—			
	Taxation based thereon:			
89,092	Income Tax		104,894	
27,000	Profits Tax		27,300	
116,092			132,194	
847	*Less*—Adjustment in respect of previous year		1,657	
115,245				130,537
84,606	**Consolidated Net Profit**			126,213
33,030	*Less*—Retained by Subsidiary			43,045
51,576				83,168
94,616	**Forward from last year (Parent Company)**		103,930	
—	*Less*—Capitalised 3rd December, 1958 ..		13,279	
				90,651
146,192	**Balance available in Parent Company's Accounts**			173,819
	Appropriations—			
	Dividends:			
12,075	Paid—On the Ordinary Share Capital £210,000, Interim of 10% (less Income Tax)		12,075	
30,187 (25% on £210,000)	Proposed—On the Ordinary Share Capital, £420,000 Final of 25% (less Income Tax)		64,312	
42,262			76,387	
—	Transfer to General Reserve		50,000	
—	Costs re New Issue of Ordinary Shares ..		1,725	
42,262				128,112
£103,930	Balance to next year as shown in the Balance Sheet of Walker Brothers Ltd.			£45,707

WALKER BROTHERS LIMITED

BALANCE SHEET 31st MARCH, 1959

March 31st 1958		£	£
	AUTHORISED SHARE CAPITAL		
250,000	5,000,000 Ordinary Shares of 2/- each (Increased to £500,000 on the 3rd December, 1958)	500,000	
	ISSUED SHARE CAPITAL		
210,000	4,200,000 Ordinary Shares of 2/- each (including £210,000 issued 3rd December, 1958 by Capitalisation of Capital Reserve £196,721 and Revenue Surplus £13,279)		420,000
	CAPITAL RESERVE		
100,778	As at 31st March, 1958	132,161	
31,383	*Add*—Surplus on Revaluation of Fixed Assets 31st March, 1958	—	
—	" " " " Shares in Benford Limited at 31st March, 1959	64,560	
132,161		196,721	
—	*Less*—Capitalised 3rd December, 1958	196,721	
132,161			—
	REVENUE RESERVE AND SURPLUS		
70,000	General Reserve as at 31st March, 1958	70,000	
—	*Add*—Transfer from Appropriation Account	50,000	
70,000		120,000	
103,930	Profit and Loss Account—Balance	45,707	
173,930			165,707
516,091			585,707
	FUTURE TAXATION		
19,000	Income Tax, 1959/60		11,500
	CURRENT LIABILITIES		
53,678	Sundry Creditors and Accrued Charges	45,484	
7,967	Taxation	3,922	
30,187	Final Dividend on Ordinary Shares (less Income Tax)	64,312	
91,832			113,718
£626,923			£710,925

T. A. W. ALLEN
W. BOYD } *Directors*

R. S. HEWINES, *Secretary*

March 31st 1958		£	£
	FIXED ASSETS		
101,525	Freehold Land and Buildings (As independently valued at 31st March, 1958)	101,525	
—	Additions to date at cost	4,432	
101,525		105,957	
—	*Less*—Depreciation to date	2,119	
101,525			103,838
101,025	Plant, Machinery, Transport, etc. (As independently valued at 31st March, 1958)	101,025	
—	Additions to date at cost less sales	7,990	
101,025		109,015	
—	*Less*—Depreciation to date	9,722	
101,025			99,293
202,550			203,131
	SUBSIDIARY COMPANY		
80,000	Shares (Cost plus appreciation on revaluation of Fixed Assets 31st March, 1958)	144,560	
34,500	Dividend Receivable (Net)	66,407	
824	Current Account	28,544	
115,324			239,511
	CURRENT ASSETS		
132,491	Stock and Work-in-Progress	123,845	
144,187	Sundry Debtors and Prepayments after making provision for Doubtful Debts and Discounts	113,393	
32,371	Cash at Bankers and in Hand	31,045	
309,049			268,283
£626,923			£710,925

Note—

At 31st March, 1959, there were commitments in respect of future Capital Expenditure amounting to £1,500 (1958—Nil)

WALKER BROTHERS LIMITED AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET 31st MARCH, 1959

March 31st 1958		£	£
	AUTHORISED SHARE CAPITAL		
250,000	5,000,000 Ordinary Shares of 2/- each (Increased to £500,000 on the 3rd December, 1958)	500,000	
	ISSUED SHARE CAPITAL		
210,000	4,200,000 Ordinary Shares of 2/- each .. .. (Including £210,000 issued 3rd December, 1958, by Capitalisation of Capital Reserve £196,721 and Revenue Surplus £13,279)		420,000
	CAPITAL RESERVE		
148,582	As at 31st March, 1958	196,721	
48,139	*Add*—Surplus on Revaluation of Fixed Assets 31st March, 1958	—	
196,721		196,721	
—	*Less*—Capitalised 3rd December, 1958	196,721	
196,721			—
	REVENUE RESERVE AND SURPLUS		
70,000	General Reserve as at 31st March, 1958	70,000	
—	*Add*—Transfer from Appropriation Account— £		
	Parent Company 50,000		
	Subsidiary Company 90,000		
		140,000	
70,000		210,000	
237,189	Profit and Loss Account Balance	132,011	
307,189			342,011
713,910			762,011
	FUTURE TAXATION		
88,500	Income Tax, 1959/60		102,900
	LOAN—SUBSIDIARY COMPANY		
25,000	(Secured by Mortgage)		25,000
	CURRENT LIABILITIES		
195,122	Sundry Creditors and Accrued Charges	204,612	
36,596	Taxation	31,676	
30,187	Final Dividend on Ordinary Shares (less Income Tax).. ..	64,312	
261,905			300,600
£1,089,315			£1,190,411

T. A. W. ALLEN
W. BOYD } *Directors*

R. S. HEWINES, *Secretary*

March 31st 1958		£	£
	FIXED ASSETS		
166,525	Freehold Land and Buildings .. .. (As independently valued at 31st March, 1958)	166,525	
—	Additions to date at cost	15,533	
166,525		182,058	
—	*Less*—Depreciation to date	3,641	
166,525			178,417
164,074	Plant, Machinery, Transport, etc. .. .. (As independently valued at 31st March, 1958)	164,074	
—	Additions to date at cost less sales	26,566	
164,074		190,640	
—	*Less*—Depreciation to date	24,102	
164,074			166,538
330,599			344,955
	MORTGAGE REDEMPTION POLICY		
6,913	Premiums Paid		8,065
	CURRENT ASSETS		
362,060	Stock and Work-in-Progress	394,098	
320,310	Sundry Debtors and Prepayments after making provision for Doubtful Debts and Discounts	373,847	
69,433	Cash at Bankers and in Hand	69,446	
751,803			837,391
£1,089,315			£1,190,411

Notes—

(1) At 31st March, 1959, there were commitments in respect of future Capital Expenditure amounting to £6,831 (1958 £1,650)

(2) The Mortgage Redemption Policy is represented by an Endowment Assurance for £25,000 on the life of the Subsidiary Company's General Manager. The Surrender value of the policy at 31st March, 1959 was £5,140 (1958 £4,217)

(3) There is a Contingent Liability of £18,857 in respect of Bills discounted

convenient. (Banks in Scotland, it may be added, close for the lunch hour.)

The survey also showed a dislike for the 'marble and mahogany' atmosphere of bank premises but few Colvilles employees were apparently worried about the cost of maintaining a bank account. That, it would appear, is a matter of more sophisticated contention.

Information

RECENT publication of the 1959 edition of *Who Owns Whom* (reviewed in *The Accountant* of August 22nd) may suggest to shareholders in some companies that they can learn more from outside sources of the activities and interests of their companies than can be gleaned from the annual report and the chairman's statement.

It is an extraordinary thing that while so many companies apparently co-operate with publishers in a work such as *Who Owns Whom* so few provide the information for their own members in their annual reports. An instance of an improvement in this direction, however, is provided by N. Hingley & Sons Ltd, whose recent report for the first time provides a list of the trading companies in the group and their principal products. 'It will be seen', says Mr F. N. Lloyd, the chairman, 'that we have twenty-nine active subsidiaries whose activities comprise chain-making from the smallest size to cables and anchors for the largest ships afloat; forging in carbon and alloy steels and other materials, including titanium; steel re-rolling, iron and steel founding; drop stamping; the manufacture of pressure vessels and boilers; structural engineering and lifeboat launching gear.'

What a step forward it would be if all company reports described the nature of the business in this way. It is still possible in an astonishing number of cases to read a company report from cover to cover and yet to remain completely ignorant of what the company does.

Next Week's Reprint

The accounts of Stevinson, Hardy & Co Ltd will provide the subject of next week's reprint.

CITY NOTES

THE 'Jasper affair' has dominated City discussion during the past week although not entirely to the exclusion of other subjects. The main concern in the Jasper matter is the extent to which the effects of the affair will be felt, not only in the Jasper group of companies but beyond. Suspension of dealings in the shares of fifteen Jasper companies was an inevitable decision by the Stock Exchange Council.

Meanwhile the stock-market as a whole is now in the grip of the hustings and share prices ebb and flow according to the ups and downs of the so-called public opinion poll findings.

Election uncertainties, however, have not prevented a considerable degree of successful activity in the new capital market and both public offers and rights issues of new shares have been strongly supported. Leading hire-purchase finance groups are now conspicuous in new capital-raising programmes.

Nor has the Election prevented the City from getting on with its job of financing trade. Hambros Bank has announced a scheme to assist exporters to the Scandinavian countries. The bank's view is that British exports to Sweden, Denmark and Norway can be increased by as much as £100 million over the next few years.

Exporters to these countries are being offered a 'package deal' including market research, introduction to potential buyers, up to five years credit terms and credit insurance. The bank considers that there is scope for increasing exports of a wide range of goods from machine tools, contractors' plant and cars to chemicals, plastics and leather goods.

RATES AND PRICES

Closing prices, Wednesday, September 23rd, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) $2\frac{1}{4}$%

Bank Rate

Feb. 16, 1956	$5\frac{1}{2}$%	May 22, 1958	$5\frac{1}{2}$%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	$4\frac{1}{2}$%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

July 17	£3 9s 0·16d%	Aug. 21	£3 9s 8·39d%
July 24	£3 9s 0·13d%	Aug. 28	£3 9s 9·03d%
July 31	£3 9s 8·19d%	Sept. 4	£3 9s 9·52d%
Aug. 7	£3 9s 7·97d%	Sept. 11	£3 9s 8·47d%
Aug. 14	£3 9s 8·13d%	Sept. 18	£3 9s 8·13d%

Money Rates

Day to day	$2\frac{3}{8}$–$3\frac{1}{4}$%	*Bank Bills*	
7 days	3–$3\frac{1}{8}$%	2 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
Fine Trade Bills		3 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
3 months	$4\frac{1}{4}$–5%	4 months	$3\frac{9}{16}$–$3\frac{5}{8}$%
4 months	$4\frac{1}{4}$–5%	6 months	$3\frac{9}{16}$–$3\frac{11}{16}$%
6 months	$4\frac{1}{2}$–$5\frac{1}{4}$%		

Foreign Exchanges

New York	2·80$\frac{27}{32}$–$\frac{31}{32}$	Frankfurt	11·73$\frac{5}{8}$–$\frac{7}{8}$
Montreal	2·66$\frac{7}{8}$–·67	Milan	1742–$\frac{1}{4}$
Amsterdam	10·59$\frac{13}{16}$–$\frac{15}{16}$	Oslo	20·01–$\frac{1}{4}$
Brussels	140·39$\frac{1}{2}$–·41$\frac{1}{2}$	Paris	13·77$\frac{5}{8}$–·78
Copenhagen	19·32$\frac{3}{8}$–$\frac{5}{8}$	Zürich	12·13$\frac{7}{8}$–·14

Gilt-edged

Consols $2\frac{1}{2}$%	$51\frac{3}{8}$	Funding 4% 60–90	$91\frac{1}{4}$
Consols 4%	$72\frac{1}{2}$	Savings $2\frac{1}{2}$% 64–67	$84\frac{1}{8}$
War Loan $3\frac{1}{2}$%	$64\frac{7}{8}$	Savings 3% 55–65	$90\frac{3}{8}$
Conversion $3\frac{1}{2}$%	64	Savings 3% 60–70	$81\frac{1}{8}$
Conversion $3\frac{1}{2}$% 1969	$87\frac{13}{16}$	Savings 3% 65–75	$75\frac{1}{2}$
Exch'q'r $5\frac{1}{2}$% 1966	$101\frac{1}{8}$	Treasury $2\frac{1}{2}$%	$47\frac{1}{2}$
Funding 3% 66–68	$84\frac{3}{8}$	Treasury $3\frac{1}{2}$% 77–80	$78\frac{1}{16}$
Funding 3% 59–69	$83\frac{5}{16}$	Treasury $3\frac{1}{2}$% 79–81	$76\frac{15}{16}$
Funding $3\frac{1}{2}$% 99–04	71	Victory 4%	$95\frac{1}{8}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Cost Accounting

SIR, – Although no longer a student, from time to time I find your notes for students of considerable interest. In the notes in your issue of August 29th, mention is made of the calendar variance which arises, for example, when a public holiday occurs.

This point has been recently very much to the fore in connection with a standard costing system with which I am closely concerned. In my opinion calendar variance should never be allowed to arise since the public holidays which will occur in a given budget period are, of course, known at the time the budget is set. I have always considered that the chief aim of budgetary control and standard costing is to reveal features of operating and expenditure which have not gone according to plan; this of course cannot apply to a public holiday which is known in advance.

In amplification of my point let me take the case of a manufacturing company with a fixed expense of £2,000 per week spent equally throughout the year. On the assumption that the only holiday is the annual holiday of two weeks, it follows that the weekly fixed overhead recovery must be based on $\frac{52}{50} \times$ £2,000. This means that if there are no variations from budget the four-weekly period including the two weeks annual holiday will have an actual fixed expense of £8,000 and a recovered fixed expense of $2 \times \frac{52}{50} \times$ £2,000. The overhead recovery is thus substantially less than the actual expense and a relatively large calendar variance would be revealed.

I should be interested to have your readers' views on this point since management surely has a right to expect results in proportion to the volume of goods dispatched.

Yours faithfully,

Wolverhampton. F. S. WOODWARD.

Stock Verification in South Africa

SIR, – Your issue of August 22nd, 1959, included a letter from the chairman of the Joint Council of the Societies of Chartered Accountants of South Africa, referring to the article entitled 'Stock Verification in South Africa', by Mr Frederick G. Beard, which appeared in your issue of May 30th, 1959. Further comment from a few practising members in South Africa may be of interest to readers.

In the article the writer stated:

'The ordinary man in the street, therefore, is well aware of the fact that auditors do not verify stocks and that the profits declared depend upon the valuation placed on these stocks by the directors.' ...

'I accordingly give it as my firm opinion that these two factors – the failure to verify what is almost invariably a major asset, coupled with the virtual absence of any legal redress if the audited accounts do not correctly set out the position – were mainly responsible for the obvious reluctance on the part of the ordinary man in the street to invest in listed South African industrial companies.'

'I pointed out that stocks have been verified by auditors in the United States of America since 1939 and that the American Government... had stepped in and amended the Federal Securities Act and the Federal Securities Exchange Act so as to afford the investor adequate protection if the certified accounts filed with the Securities and Exchange Commission contained any misleading statements or omissions.'

If we were to state our own position and approach as auditors in relation to stocks (and in doing so we think we might be stating the position of many auditors in the Union and perhaps also in the United Kingdom) it would be that it is not our duty to *verify* stocks (if by the word 'verify' is meant the taking or determining of stocks) but to make such tests (including, where appropriate, physical tests) as to enable an opinion to be formed on their existence and the valuation placed upon them by the directors or proprietors. Our knowledge of the profession in the United States does not suggest to us that it takes the stand that the auditor *verifies* stocks but that he examines stock-taking procedures and makes tests of valuations and physical existence. We doubt if the profession (or the investing public itself) in any part of the world would take the position that stock *verification*, in its strictest sense, is a responsibility of the auditor; this would be too onerous, if not impossible, to discharge. The word 'verify' seems to have acquired a 'professional' meaning which may not be generally understood by the public and which would seem to require very careful use by auditors.

It was reported in your issue of October 25th, 1955, that a plebiscite of auditors had been taken in Australia to ascertain the extent to which the practice of imposing physical checks upon stocks was followed by auditors in that part of the Commonwealth: of 244 replies to the question, 103 auditors reported that they did not make a practice of this form of check. The results of a similar plebiscite if taken in the United Kingdom would no doubt be of great interest to the profession generally.

The point made by the writer that the investor in South Africa was reluctant to invest in listed South African industrial companies because there was a failure on the part of the auditor to verify stocks, coupled with the virtual absence of any legal redress against him in the event of loss, and the suggestion that the stock exchange should 'insist upon the stocks of all listed industrial companies being verified by their auditors' is hardly worthy of comment. The

profession in the Union seeks to discharge its duties by the best standards known to it. There is a general desire to advance knowledge and improve techniques and there is no reason to suppose that it will fall behind or fail to maintain its own traditions.

The chairman of the Joint Council indicates in his letter that if legislation were introduced to lay down stock examination procedures, the profession in South Africa should not be confronted with material difficulties and many members would find it unnecessary to extend their auditing procedures. We have no doubt, however, that members of the Joint Council itself would agree with us that it is unnecessary and undesirable for legislation to be introduced in this matter. We should think that this might also be the view of the profession in the United Kingdom.

Yours faithfully,
W. B. DANKS,
G. B. DAWSON,
W. GORDON,
Johannesburg. J. H. JOUBERT.

Investment Allowance on School Cars

SIR, – Can any of your readers please tell me whether they have been able to claim successfully the investment allowance on new cars bought for a motor driving school and, of course, retained for at least three years?

In the year to March 31st, 1955, a client's school bought two new cars, and in the year to March 31st, 1956, one new car, the investment allowance being granted in each case. Unfortunately, a new Inspector to the district claims these were 'admitted in error'. The first two were replaced during the year to March 31st, 1959, and in computing the balancing charges he is treating the investment allowances as initial allowances. He has similarly recomputed the capital allowances for the third car for 1956–57, 1957–58 and 1958–59, and proposes to reduce the allowance for 1959–60 by the apparent over-allowance for the earlier years. The Inspector claimed:

> 'The allowance is due in respect of private vehicles only where these are provided wholly or mainly for hire to or for the carriage of members of the public in the ordinary course of trade (i.e. taxis or private hire cars).'

To this I replied:

> 'I cannot agree that your colleague made an error in granting the investment allowance in this case. Each lesson that this motoring school gives involves, in effect, a hiring of a car plus, of course, the provision of tuition. Quite frequently the test is taken in a school car, and then the car is usually only occupied by the pupil and the examiner. In other words, the cars are loaned, or hired, to the pupils so that they may learn to drive and prove this to the examiners. This hiring is in the ordinary course of business. In fact it could not be a motoring school if this did not happen. The cars are thus the productive machinery for this business, and a large part of the fees charged is for this use by the public.
>
> 'I trust that on reflection you will be able to accept this contention, as your predecessor was able to. If, however, you still feel the claim is inadmissible, please be good enough to support your contention with some more information, such as brief details of any decided case, or cases that relate to this matter.'

The Inspector of Taxes has replied as follows:

> 'I note your remarks on this point but must hold to my view that the vehicles are not provided *wholly* or *mainly* for hire to members of the public in the normal course of trade within the meaning of the final sub-paragraph of Section 16 (3), Finance Act, 1954. The principal object of the business is to provide driving tuition and the element of hire can only be regarded as being incidental to that object. This view has been generally adopted.'

Yours faithfully,
PUZZLED.

Compensation Claim

SIR, – Mr W. H. D. Winder's article on 'The limits of *Gourley*' (September 5th issue) prompts me to ask whether any of your readers has met a situation similar to the following, which appears to arise directly from *Gourley*.

A company has a claim for compensation for (*inter alia*) loss of profits, against a local authority. The local authority has compulsorily acquired the premises of a branch of the company. This branch is trading at a profit, but the company is assessed to tax on its trading results as a whole, and has in fact a large balance of losses brought forward, so that it is not likely to be liable to tax for some years to come. In drafting the claim, however, the company's surveyors propose to deduct tax at the standard rate.

In *West Suffolk County Council v. Rought* the House of Lords found that the Lands Tribunal should have estimated:

> 'the amount of additional taxation which the respondents would have had to bear if they had actually earned . . . the sum . . . awarded to them . . . and should have reduced the award by that amount'.

As in this case the amount of additional taxation would be *nil*, can it not be contended that the compensation should be calculated without deduction of tax?

Yours faithfully,
HOLOFERNES.

Fun with Figures

SIR, – I was interested to see Mr F. T. Neely's article 'Rhythm in division', in your issue of September 19th, fun and games with figures being a hobby of mine.

Your readers may be interested in the following identities:

$$(7^2+4^2)(5^2+3^2)=37^2+29^2$$
$$(7^2-4^2)(5^2-3^2)=37^2-29^2$$

I have found a general formula for the construction of an infinite number of similar sets, and if a sufficient number of readers express interest, I shall be pleased to communicate it.

Yours faithfully,
London, EC2. RALPH A. HADRILL.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

SPECIAL GENERAL MEETING

At a special general meeting of members of The Institute of Chartered Accountants of Scotland, held in Glasgow on Friday of last week, 105 applicants were admitted to membership of the Institute. Mr Thomas Lister, M.A., C.A., President of the Institute, was in the chair.

PRESIDENT'S ADDRESS

In the course of his address, the President said: I would like to follow the custom of recent years and say something of what the Council and the Institute's committees have been doing since the annual general meeting on March 25th, 1959. It has been one of the busiest half-years that we have had as an Institute.

Mr Thomas Lister

During this period the special committee on the Institute's future policy which was set up in November 1957 has considered reports from the three sub-committees which it appointed to examine various topics of major importance. The committee is now engaged in the preparation of its final report.

In May 1959 the Council submitted to the Law Reform Committee (Scotland) a memorandum on 'The restrictions imposed on the constitution of security over moveable property and other matters'. This referred particularly to the desirability or otherwise of introducing floating charges in Scotland and recommended that the law of Scotland should be amended so as to permit of the creation of such charges.

The Institute's Insurance Schemes

You will have recently received a letter from the Secretary referring to the various Institute insurance schemes that are in operation. In 1957 we launched a scheme for retirement annuities and life assurance for members. In June 1959 we brought out a scheme for pensions and life assurance for the staffs of practising members or practising members of the Institute, and we are now adding to this a group disability insurance scheme for members of the Institute and their employees who are resident in the United Kingdom[1]. In addition, we have had since 1953 a group scheme with the Scottish Nuffield Provident Society covering private specialist treatment of illness: the Secretary's letter explains that this scheme now contains an optional cover in respect of general practitioners' fees. Members of the Institute who participate in any or all of these schemes have the advantage of rates of contribution which, I think it is safe to say, cannot be bettered elsewhere. I accordingly commend the schemes to your attention if you are not already a participant.

In April we held at Troon a course on 'Electronic data processing', which was judged by those who attended to have been most successful. The demand for places was so great that we have arranged a second course on similar lines, and this will be held at *The Marine Hotel*, Troon, from October 14th to 17th, 1959. It was made evident in our discussions at Troon that if the middle-sized and smaller businesses are to use electronic computers it must generally be through the medium of an E.D.P. service centre, and that one obstacle in the way of their doing so is the great diversity of payroll procedures and forms. Accepting a suggestion made at the course the Council has set up a special committee to consider whether any recommendations can be made which would help towards a measure of standardization in these procedures and forms.

Examination and Training of Apprentices

I have reserved until last our main preoccupation in recent months – the new scheme for the examination and training of apprentices.

At the special general meeting held on May 19th, 1959, the amendments to the Institute's rules needed to enable the new scheme to be introduced were passed by a show of hands by 221 votes to 97. In accordance with a prior undertaking given by the Council, I, as chairman of that meeting, demanded a poll. A poll of all members of the Institute throughout the world was taken accordingly, and at the adjourned special general meeting on June 23rd, the result was declared: 2,404 members voted in favour of the amendments of the rules and 645 against. The amendments have now been approved by the Privy Council.

Immediately the result of the poll was known, a start was made on the heavy task of translating the new scheme into effect, and every practising member of the Institute will by now have received a copy of the new *C.A. Apprenticeship Guide*, which explains in detail what is going to happen. I am afraid that the *Guide* is necessarily lengthy as it – inevitably – contains two examination syllabuses and the transitional provisions affecting apprentices who will be changing over from the old syllabus to the new. An attempt has been made in the *Guide* to forestall as many queries as possible, and I earnestly hope that every master will urge each of his apprentices to obtain a copy of the *Guide* from one of the Institute's local secretaries or directors of studies and to study carefully those parts of it which affect such apprentices. I would also venture to urge masters themselves to take at least a cursory look at the *Guide*. If masters and apprentices will co-operate in this way, I hope that it will be to the benefit of all concerned.

In consequence of the impending introduction of the new scheme of examination and training, the

[1] See *The Accountant*, September 19th, 1959, page 218.

Council has made some alterations in the constitution of the Examining Board and has set up three new committees, viz.: the Apprentices (Policy) Committee, the Apprentices (Applications) Committee, and the Universities Liaison Committee. The Board and these other three committees have a very great deal of work to do, and our decision to appoint the new committees was occasioned by the need to avoid placing on the shoulders of members of the Examining Board a load which otherwise would have been quite insupportable.

Welcome to New Members

May I now turn especially to the new members who were admitted at the beginning of this meeting. It gives me much pleasure to congratulate you on your success and to give you a welcome to the Institute. My wish for you all is that you may have successful, satisfying and happy careers in a profession which, I feel sure, is going to offer even wider scope in the future than it has done in the past.

When I see the new members at these general meetings – as I have had the opportunity of doing on several occasions – I have no doubt that our Institute is admitting men and women who can and will maintain the standard of professional skill and integrity of which we are, rightly, jealous.

Naturally you are looking forward to attaining, in due course, positions in which you will receive adequate financial reward. I am not, however, going to give you any advice today on the planning of your future careers, whether on the practising side or on the commercial and industrial side of the profession. Instead, I would like to say something to you about what you can put in, rather than what you hope to take out.

I referred earlier to what is being done for the Institute by members who serve on its committees, I was concerned then especially with the committees associated with the training and examination of apprentices, a matter obviously vital for our future. If you look at the annual reports, you will see something of the numerous other ways in which members are making their contribution to the Institute. Perhaps, however, you may think 'Yes, that work is for the men who have already attained established positions, and have been invited by the Council to join committees. It can't have much to do with me.' Just pause there, and ask yourselves how the Council finds the people who are suitable and likely to accept its invitation.

Besides the Council and committees, we have a summer school, an E.D.P. course and discussion groups, and closely connected with the Institute there are students' societies in Edinburgh, Glasgow and Aberdeen. The contribution I am asking you to make can include participation in some or all of these activities, and I would like especially to commend to you the summer school and the students' societies. In both, in different ways, you will find scope for putting something into the common stock.

FOR STUDENTS

PRIVATE COMPANIES – I

The significance of the private company in the economy of the country is indicated by the fact that at the end of 1958 there were registered 329,314 such companies, of which 318,800 had a share capital totalling £2,623 million. Just over 78 per cent of the private companies were exempt private companies. The corresponding number of public companies with a share capital was 10,933 with a total paid-up share capital of £4,608 million.

Apart from the fact that partnerships to carry on business for the acquisition of gain may not exceed twenty persons (ten in the case of a banking business), the popularity of the private company as a form of business enterprise is mainly due to the following factors:

(1) a registered company is a separate legal entity enjoying perpetual succession, and continues in existence until dissolved, even though its members change;

(2) the liability of the members is limited in the case of a limited company;

(3) the degree of legal formality and disclosure of its affairs is less in the case of a private company (particularly if the company is an 'exempt' private company) than in the case of a public company.

Companies registered under the Companies Act, 1948, are either public companies or private companies, and every company which is not a private company, as defined by the Act, is a public company. It will be seen that a private company is one which has a comparatively small number of members and which does not invite the public to subscribe for its shares or debentures. Consequently, it has been felt that such companies should be conceded a greater degree of privacy in regard to their affairs, and a greater degree of freedom from official control, than would be desirable in the case of a public company.

By the 1948 Act, however, private companies are now divided into two classes according to whether or not they qualify as 'exempt' private companies, the full privileges being extended only to the latter type of company.

As will be seen, the qualifications constituting an exempt private company are such as might be fulfilled by a 'family' type of business, even though of considerable size and financial standing, but cannot be fulfilled by a private company used as a cloak for the activities of a public company. Prior to the 1948 Act, a public company, by forming a private company to hold the working assets and to conduct the active business, could retain in its own accounts (requiring wider publication than those of a private company) only its investment in the private company and particulars of the comparatively minor activities carried on in its own name.

Legal Definition

A private company is defined by Section 28 of the Companies Act, 1948, as one which, by its articles of association:

(1) restricts the right to transfer its shares;

(2) limits the number of its members to fifty, not including employees of the company, and ex-employees who were members whilst they were employees and who have since continued to be members; and
(3) prohibits any invitation to the public to subscribe for any shares or debentures of the company.

Section 1 of the Act provides that, in the case of a private company, any *two* persons may form a company, whereas a minimum of seven persons is required for a public company.

Joint holders of shares in a private company are, for the purpose of Section 28, treated as a single member.

Any restriction on the right to transfer shares, such as a right on the part of the directors to refuse to register transfers to persons of whom they do not approve, is sufficient. For instance, Clause 3 of Part II of the 1948 Table A, being specimen articles of a private company limited by shares, simply provides that: 'The directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share, whether or not it is a fully-paid share.'

The articles of association of private companies, however, often restrict the transfer of shares specifically in such a way as to preserve the 'family' nature of the companies' shareholders. They may, for instance, require the shareholder concerned, or his representative, to offer the shares to existing members at a price fixed, for example, by the company's auditors, or prohibit him from transferring the shares to an outsider at a particular price, unless existing members have refused to pay the same price.

At one time it was thought that, since a private company's articles must restrict the right to transfer its shares, it followed that a company could not be registered as a private company unless it had a share capital. It is now established, however, that a company can be registered as a private company even though it is a company without a share capital, but its articles, as required by Section 28, must nevertheless include the clause restricting the transfer of shares.

A private company may not, of course, issue share warrants to bearer, since such warrants are negotiable instruments and their transfer cannot be restricted. Part II of Table A of the 1948 Act includes a clause specifically providing that the company shall not have power to issue share warrants to bearer.

Exemptions and Privileges

By the Companies Act, 1948, a private company is entitled to the following exemptions and privileges:

(1) It may legally consist of as few as two members, whereas a public company must have at least seven (Section 1).
(2) It is not required to deliver to the Registrar of Companies a statement in lieu of prospectus before making the first allotment of shares or debentures (Section 48).
(3) It may commence business immediately upon incorporation, and is not required to obtain a certificate to commence business (Section 109).
(4) It need have only one director (Section 176).
(5) The restrictions on the appointment of the first directors by the articles of association do not apply to a private company (Section 181).
(6) It is not required to hold a statutory meeting or to circulate to members and file with the registrar a statutory report (Section 130).
(7) As it is prohibited from offering shares to the public, it need not obtain a minimum subscription before proceeding to a first allotment of its shares (Section 47).
(8) The provisions of Section 183 restricting the procedure whereby two or more persons are appointed directors in the one motion, do not apply to a general meeting of a private company.
(9) A private company is not subject to the provisions of Section 185 regarding retirement of directors under age limit, unless it is the subsidiary of a body corporate which is not a private company.

Appointment of Proxies

Section 136 of the Companies Act, 1948, which confers a statutory right to appoint proxies, provides that a proxy of a member of a private company shall have the same right as the member to speak at the meeting. (Normally proxies have no right to address the meeting.) The section also provides that a member of a private company shall not, unless the articles otherwise provide, be entitled to appoint more than one proxy to attend on the same occasion. This latter provision follows as a consequence of the former since, where proxies can speak at the meeting, a power to appoint several proxies might unduly protract the proceedings and interfere with the transaction of business. It is presumed that the statutory prohibition of the appointment of more than one proxy does not extend to 'alternate' proxies by which 'A. or in his absence B.' is appointed proxy, since although two persons are named only one can exercise any rights as a proxy at the meeting.

By Section 128 of the Act a private company is required to file with its annual return, certificates – signed by both a director and the secretary – that the company since the date of the last return or, in the case of a first return, since the date of incorporation, has not:

(1) issued any invitation to the public to subscribe for any shares or debentures of the company; and
(2) where the annual return discloses the fact that the number of members of the company exceeds fifty, that the excess consists wholly of persons who, by Section 28 (1) (*b*), are not to be included in reckoning the number of fifty.

The following are the forms of certificate prescribed by the Sixth Schedule to the Act:

A. We certify that the company has not since the date of [the incorporation of the company/the last annual return] issued any invitation to the public to subscribe for any shares or debentures of the company.

Signed...*Director.*
Signed...*Secretary.*

B. We certify that the excess of the number of members of the company over fifty consists wholly of persons who, under paragraph (*b*) of subsection (1) of Section 28 of the Companies Act, 1948, are not to be included in reckoning the number of fifty.

Signed...*Director.*
Signed...*Secretary.*

(*To be concluded.*)

STUDENTS' COURSE AT OXFORD

The Chartered Accountant Students' Society of London

Just over 200 students attended the sixth senior residential course of the London Students' Society held at Balliol College, Oxford, last week-end under the chairmanship of Mr W. K. Wells, B.A., F.C.A., Hon. Treasurer of the Society. There were 182 students from London living in College, and twenty-one students from the Oxford Society joined the discussion groups and lectures. Owing to lack of accommodation forty-five applications had to be refused.

Most of those from the London area travelled to Oxford by coach on the Thursday morning. The course started on Thursday afternoon with a lecture by Mr G. S. A. Wheatcroft, J.P., M.A., F.I.I.S., F.I.I.T., Master of the Supreme Court and Editor of *The British Tax Review*, on 'Tax avoidance and evasion'. The lecture was followed by discussion in groups and later the lecturer dealt with questions which had arisen in discussion.

At the opening dinner on Thursday evening, when the chair was taken by Mr W. E. Parker, C.B.E., F.C.A., President of the Students' Society, there were present the following guests:

Mr H. H. Keen, M.A., F.C.A. (*Secretary to the University Chest and a Fellow of Balliol*); Mr E. Kenneth Wright, M.A., F.C.A. (*a Vice-President of the Students' Society*); Mr J. F. Ray, F.C.A. (*President of the Oxford Students' Society*); Mr S. W. Treadgold (*Secretary of the Oxford Students' Society*); Mr Bruce Sutherland, F.C.A. (*Chairman, Birmingham Students' Society's Oxford Course*); Mr Rowe-Ham (*Secretary of the Birmingham Students' Society*).

On Friday, lectures were given on 'Management accounting in practice', by Mr A. P. Ravenhill, F.C.A., chief accountant, The United Africa Co Ltd, and on 'Economic factors in business planning', by Dr G. C. Allen, C.B.E., M.COM., PH.D., Professor of Economics, University College, London. The subjects were discussed in the groups with the help of the lecturers, and later in a general meeting the lecturers commented on points of interest arising from the discussions.

On Saturday, Dr C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S., lectured on 'Share valuations and take-over bids' and on Sunday, after a service in the College Chapel at which the Dean of Balliol gave the address, Mr Charles Aston, A.C.A., general manager, P. & O. Navigation Co, lectured on 'Good form in accounts'.

The level of discussion throughout the course was high, and once again it provided a valuable opportunity for students to overcome the isolation of service in separate offices and to gain the feeling of professional responsibility which is so important a benefit of such courses.

AT THE LONDON STUDENTS' SOCIETY'S RESIDENTIAL COURSE AT OXFORD LAST WEEK-END

Front row, left to right: Mr L. C. Hopewell, *Group Leader*; Mr M. W. Russell, A.C.A., *Chairman of the Students' Society Committee*; Miss V. D. Jaycock, *Group Leader*; Mr A. P. Ravenhill, F.C.A., *Lecturer*; Mr W. E. Parker, C.B.E., F.C.A., *President of the Society*; Mr W. K. Wells, B.A., F.C.A., *Chairman of the Course*; Miss A. M. Large, A.C.I.S., *Assistant Secretary of the Society*; Mr R. J. Carter, B.COM., F.C.A., *Secretary of the Society. Back row, left to right:* Mr B. J. Arthur, Mr J. Chitty, Mr P. M. Hookins, Mr S. L. Hartley, Mr A. G. Herron, B.SC.(ECON.), Mr O. A. Morgan, B.SC.(ECON.), Mr D. R. Waters, Mr J. Kensington, B.A., Mr D. C. McAuley, B.SC.(ECON.), and Mr M. F. Harcourt Williams, B.A., *Group Leaders.*

Notes and Notices

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee, Sir William Carrington, F.C.A., the President of the Association, and seven members were present.

Applications for Assistance

Seven new applications for assistance were considered. In one case a grant was made for one year; in one case a donation was given as a temporary measure; in four cases consideration was deferred and in the seventh case it was decided that, while no grant should be made, the applicant should be nominated if she so wished for a place in one of the Crossways Trust Homes for old people.

Applications for Further Assistance

Fifteen cases for further assistance were considered. In ten cases the grant was increased; in two cases the grant was renewed; in view of improved circumstances in two cases the grant was reduced and in one case it was decided to make no further grant.

Special Fund

One application for further assistance was considered and the grant was increased.

W. B. Peat Memorial Scholarship Fund

Two applications for educational assistance were considered and in each case a grant of £30 per annum for three years was made.

The late Sir Harry Peat

The committee received with very great regret the honorary secretary's report of the death of Sir William Henry Peat who had been a member of the committee since 1937.

The President reminded the committee of the very generous gift made by Sir Harry Peat in memory of his father, the income of which has been used for the grant of W. B. Peat Memorial Scholarships.

Matters Reported

The honorary secretary reported changes in the circumstances of ten beneficiaries during the last quarter and grants were adjusted or donations made in appropriate cases.

Christmas Food Parcels

It was decided to distribute Christmas food parcels to beneficiaries again this year.

Institute Annual Church Service

It was reported that £47 6s 0d was collected for the Benevolent Association at the Institute's annual church service on July 1st, 1959.

PERSONAL

MESSRS CALLINGHAM, BROWN & CO, Chartered Accountants, of Balfour House, 119/125 Finsbury Pavement, London, EC2, announce with deep regret the sudden death of their partner, Mr DENNIS GEORGE SOLE, F.C.A.

PROFESSIONAL NOTES

Mr Brian M. Billingham, A.C.A., secretary, Parker, Winder & Achurch Ltd, has been appointed to the board of the company and its subsidiary, J. W. Rains Ltd.

Mr Robert L. Teare, A.C.A., a director of Parker, Winder & Achurch Ltd, and a director and secretary of J. W. Rains Ltd, has been appointed managing director of the latter company.

Mr R. A. Samuels, A.C.A., has been appointed secretary of The National Bank of New Zealand Ltd.

Mr B. A. C. Whitmee, A.C.A., has been appointed a director of City & International Trust Ltd.

Mr James M. Lauder, C.A., secretary of The Mirrlees Watson Co Ltd, has been appointed a director of the company.

Mr I. W. Macdonald, M.A., C.A., has been appointed a part-time member of the National Research Development Council.

THE NATIONAL CHAMBER OF TRADE

Mr H. Austral Ryley, F.C.A., senior partner of Messrs Pinner, Ryley & Co, Chartered Accountants, of Smethwick, a member of the Board of Management of The National Chamber of Trade, has been nominated for election as President of the Chamber next April.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

The first meetings of the autumn lecture sessions of the London Students' Society will be held during next week as follows:

Wednesday, 5.30 p.m. at the Institute: meeting for newly-qualified members to meet members of the committee of the London and District Society of Chartered Accountants.

Thursday, 5 p.m. at the Institute: meeting for new members of the Students' Society.

Friday, 5.15 p.m. at the Institute: introductory course lecture on 'How to study', by Mr R. J. Carter, B.COM., F.C.A. (Secretary of the Students' Society).

Programmes for the autumn session are being posted to members and detailed announcements of the activities during the following week will appear in each issue of *The Accountant*.

Students are reminded that the Library and Study

Room at Spencer House, South Place, London, EC2, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study Room is available in the evening by prior arrangement.

THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

Annual Golf Meeting

Golfing members of the Dublin Society of Chartered Accountants held their annual meeting at the Grange Golf Club, Rathfarnham, on September 7th, when seventy-three members and guests took part in the competitions. The Past Students' Cup was won by Mr T. M. O'Donovan (9), who tied with Mr T. O'Reilly (18) with a score of 3 up, Mr O'Donovan having the better second nine. The competition for the Visitors' Prize resulted in a five-fold tie at 1 up, Mr G. Brownlee (13) winning on the second nine. The Four Ball Competition was won by the President and the Secretary of the Institute, Mr D. McC. Watson (16) and Mr W. S. Orr (24), with a score of 9 up, after a tie with Mr T. M. O'Donovan (9) and Mr G. H. Priestman (7).

An informal dinner was held afterwards in the club-house, at which the chairman of the Society, Mr John Love, F.C.A., presided.

THE INSTITUTE OF INTERNAL AUDITORS

London Chapter

The first meeting in the 1959–60 programme of the London Chapter of The Institute of Internal Auditors was held recently at *The Kingsley Hotel*, Bloomsbury Way, London, WC1, when Mr Bradford Cadmus, managing director of the Institute, gave an address on 'Operational auditing', which will be reproduced in a subsequent issue.

Other meetings, also to be held at *The Kingsley Hotel*, have been arranged as follows:

October 7th, 12.30 p.m.: 'Prerequisites for efficiency in a sales organization', by Mr Adam Johnstone, chairman, Sales Audits Ltd.

November 4th, 6.30 p.m.: 'The audit of a traffic department', by Mr J. C. Walker, H. J. Heinz Co Ltd.

December 2nd, 12·30 p.m.: 'The art of persuasion in industry', by Mr T. P. Lyons, personnel officer, Phillips Croydon Works Ltd.

January 6th, 1960, 12.30 p.m.: 'Problems of foreign exchange as applied to industry', by Mr J. R. Higgins, Brown Shipley & Co Ltd.

February 3rd, 6.30 p.m.: 'Some aspects of controllership', by Mr J. R. Robinson, controller, The Rio Tinto Co Ltd.

March 2nd, 12.30 p.m.: 'Work study in the office', by Mr H. H. Longman, O. & M. Department, Unilever Ltd.

April 6th, 6.30 p.m.: 'The audit of a production control department', by Mr R. F. Blackmur, Ford Motor Co Ltd.

May: Proposed regional conference (details to be announced later).

June 15th, 6.30 p.m.: Annual general meeting.

The London Chapter was founded in 1948 and there are at present 127 members. There are three classes of membership: (*a*) *Members*, being open to persons who are responsible in a managerial or supervisory capacity for the internal auditing activities within their organization. (*b*) *Associate members*, being practising accountants and others whose work is closely related to internal auditing and who cannot qualify as members. (*c*) *Junior members*, being open to persons engaged in internal auditing work who cannot qualify as members.

The secretary of the Chapter is Mr E. N. Judge, c/o South Eastern Electricity Board, Queens Gardens, Hove, 3, Sussex.

SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF SEPTEMBER 27TH, 1884

A Weekly Note

THE district Court of Bankruptcy at Canterbury seems to have been the stage of a somewhat lively proceeding the other day. The case out of which it arose was the bankruptcy of a Mr. Owen, whose liabilities amounted to £8,464, with assets nil. On the bankrupt coming up for public examination, he was represented by a Mr. Johnson, of Clifford's Inn, who, according to the report, appears to be a man scarcely possessed of that calmness and dignity that should characterise an advocate who has his client's interests at heart. It appears that the debtor had written a letter respecting which the official receiver proceeded to examine him. Mr. Johnson asked for the production of this letter, which the official receiver refused, and thereupon the vagaries of Mr. Johnson commenced and he conducted himself throughout the proceedings in a manner which would lead any reasonable person to suppose that he had been assisting at the rites of Bacchus. Whether this was so or not one thing seems very clear, viz., that Mr. Johnson's ideas were somewhat confused, for when the registrar of the court made a mild remark, Mr. Johnson exclaimed, "When you doff that wig take up a dishcloth and become a waiter." We were unaware that "dishcloths" were the distinguishing badge of a waiter, but we can quite understand that they are the articles principally used by those individuals whose misfortune it is to wait upon Mr. Johnson. The registrar finally ordered Mr. Johnson to be removed from court, and characterised his conduct as most fitting the Old Bailey, and in making that remark we consider the registrar does the Old Bailey an injustice.

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CONTENTS

Election Tax Topics

WHILE the result of the polling in the General Election next week may have a considerable bearing on direct taxation in this country for perhaps the next five years, it is unlikely that the general structure will be much changed, whichever party is returned to power. No party has promised, for instance, to abolish income tax or estate duty; though the Liberal Party advocates the abolition of a minor part of income tax – Schedule A: and presumably even then only that part which applies to owner-occupiers.

Possibly the most revolutionary proposal is that of the Labour Party to introduce a capital gains tax; not so much to increase the total yield of direct taxation, but to broaden its base and to bring perhaps a reduction in income tax rates. The subject has received added topicality from the spate of 'take-overs' and the difficulties which some of these have caused. What the manifesto says, on this topic, is:

> 'We shall tax the huge capital gains made on the Stock Exchange and elsewhere.'

When this tax was mooted before the Royal Commission it met with little enthusiasm, either from the Commission itself or from the Inland Revenue. What the Commission did recommend was a broadening of the definition of 'trade'. Many of the so-called 'capital' gains made on the Stock Exchange arise from transactions which have all the indicia of trading but such gains have escaped taxation not, perhaps, because they were legally immune, but because once it was established that buying and selling of shares by individuals constituted trading, there would be a flood of claims for loss relief. Companies, stockjobbers and others who make a business of buying and selling shares do, of course, pay tax on their profits already. Normally, they are successful, their profits exceed their losses; but outside this group it might well be that, on balance, losses exceed profits. Presumably any capital gains tax would have to make allowance for such expenses as stamp duty and broker's commission, of which the former goes straight to the Exchequer while the broker's commission is already taxed in his hands.

The administrative complexity of a capital gains tax is such as to discourage all but the most enthusiastic; one thing is inevitable, there are bound to be anomalies and saving would be discouraged.

Another promise in the Labour manifesto is:

> 'We shall deal with the business man's expense account racket and the tax-free compensation paid to directors on loss of office'.

Now experience of the workings of the legislation directed to

assessing directors' benefits, passed in 1948, shows that it is extremely effective. In fact, complaints were made to the Royal Commission that the Inland Revenue were applying it too rigorously.

Perhaps the most remarkable thing about the large sums paid to directors displaced by 'take-overs' is the readiness with which shareholders agree to the payment; particularly as the recipient very often has no service agreement and, moreover, soon secures other well-paid employment. Recent litigation has established that lump sums payable as compensation for loss of earnings can be reduced by a sum equivalent to the tax which the recipient would have been paid on those earnings, but little regard seems to have been had to this factor in some recent payments. To be sure, in some cases the compensation for loss of office is not allowed as a deduction in computing the paying company's taxable profit, and therefore has to be paid out of a taxed fund, but even there the recipient avoids surtax. Many would agree, therefore, that the tax immunity of compensation for loss of office should be withdrawn. Once this was done, a large lump sum would attract a high rate of surtax but, of course, the parties would still be able to settle for a periodical sum, taxable as it arose.

A third promise in the Labour Party manifesto is to block 'other loopholes in the tax law including those which lead to the avoidance of death duties and surtax'.

The trouble about election manifestos is that they paint with too broad a brush. For the past eight years hardly a year has passed without a Finance Act closing some loophole in the tax structure. Is this to be accelerated, and to what extent? One way to avoid estate duty is to give your money away and survive five years. This period could theoretically be increased to ten or twenty years by which time the tax ceases to be a death tax and becomes a gift tax. Again, one can avoid surtax by refraining from earning any income. Should this be countered by some elaborate new deeming provision, under which one pays tax on money which one might have earned but did not? Clearly, there has to be agreement on what constitutes 'avoidance'.

The Inland Revenue told the Royal Commission that they were not dissatisfied with the state of the law; they thought it probable that the main heads of possible avoidance had been covered by existing legislation (most of which was enacted in 1936 or 1938, in relation to income tax and surtax, and 1940 in relation to estate duty). The Board thought that future avoidance devices were more likely to be related to new taxes, or new reliefs, or capable of use only in narrow and specialized fields. It is therefore difficult to speculate on what new anti-avoidance legislation might be introduced.

Political ends which militate against each other are not unfamiliar. While, on the one hand, avoidance of tax on investment income is to be discouraged, on the other the small saver is encouraged to invest by what can be regarded as legalized tax avoidance: modest amounts of Post Office bank interest, like the interest applied in Premium Bond prizes, are expressly exempted, while the special arrangements with building societies temper the income tax wind, at any rate for those investors who are liable at the standard rate. The Conservative manifesto says that encouragement will be given to facilities for the small investor to have a stake in British industry. While something on these lines was done in the last Finance Act by a reduction in stamp duty on small stock and share transactions, the Liberal manifesto says roundly that 'stamp duty must be abolished'. But the stamp duty machine is too flexible and convenient an instrument of comparatively painless tax raising to meet such a fate, though rates may well be reduced and some of the more archaic and unproductive duties dispensed with.

On the profits tax front a Labour Party spokesman has intimated that it was a mistake to drop the two-tier system. It may be, therefore, that a Labour Government would reimpose the complicated provisions dealing with non-distribution relief and its withdrawal. That Party has already promised that its tax policy will be directed towards helping industry to mechanize, modernize and expand and make a maximum contribution to exports. This is in line with the reintroduction of investment allowances this year, but it is perhaps not in line with the furling, two years ago, of the 'Chancellor's umbrella'. Encouragement of the ploughing back of profits for modernization must surely be accompanied by a modification of the provisions for surtax directions on those companies which do not distribute enough of their profits.

How to Control Costs

I—COLLECTING BUDGET INFORMATION

by R. G. H. NELSON, A.C.A., A.C.W.A.

THE whole of life is spent in efforts to reduce the unfamiliar to a routine; and it has been said that a measure of civilization is one's success in achieving this object.

In accountancy the solution of a problem will most often be embodied in a form of presentation. The examination of accounting forms therefore has a multiple interest; as indicating the degree of civilization of the accountancy system; as an historical record of the particular problems faced; and as a guide to the solution of one's own procedural difficulties.

This last aspect has provided the primary motive for the commentaries in this series of articles.

Most problems in accountancy centre on the correct and orderly collection of data or presentation of information. Both functions can be simplified by defining the difficulties and establishing procedures to deal with them; this will normally mean designing a form. Those which are to be described and illustrated in these pages were all designed for practical use. They are imperfect, and need to be modified in the light of experience, but it is hoped that they may provide some guidance in the development of individual applications.

Main Areas of Accounting Control

The accountant who is taking up his first executive appointment in industry will be strongly aware that his function is to provide management control information.

Now 'management control' means planning and charting in advance the financial implications of those business conditions which are anticipated or desired for a future period, and then directing the activities of the business in accordance with the plan. Management control can be exercised in detail, in varying degrees, over a variety of functions such as cash expenditure, capital commitments, inventory holding, stores purchasing, usage of materials and services, the establishment of a labour force, setting works standards, and the authorization of overtime work.

It is obvious that these functions are to some extent interlinked, as indeed are all the activities of a business. One cannot plan cash expenditure, for example, without considering capital commitments, requirements of materials and services, and the labour force which has to be paid. One cannot consider capital expenditure on equipment without relation to the proposed volume of production on the one hand, and the funds available for investment on the other hand. Stock holdings, similarly, are affected partly by production, as determining the rate of usage, partly by such intractable factors as delivery delays, and partly by the amount of capital it is convenient or profitable to hold in the form of inventories.

This complex of interacting factors has been reduced to diagrammatic form in Figure I. It will be seen that there are, in fact, three levels of budgetary activity:

(1) the basic decisions on volume of production and/or sales;

(2) the primary budget targets which are derived directly from the basic decisions, and are shown in the diagram as 'Profit and loss account changes'; and

(3) the secondary targets, represented in the diagram first, by the ring entitled 'Cash account changes', and secondly, by the various items in the area 'Other balance sheet changes'. (These two parts are mutually interchangeable in the sense that cash resources can be affected to a limited extent by deliberate manipulation of stock holdings, unpaid creditors and credit allowed to customers.)

The size of the secondary targets will be determined mainly by that of the primary targets, but the effect of these on the cash position may be sufficiently adverse as to require either a fresh injection of working capital or further reviews of the level of production, the costs of production, the proposed asset holdings, and selling prices, possibly several times before the best workable plan is found.

Volume of Production and Sales

The basic data of volume of production and volume of sales are, of course, interlinked and must be kept in balance. In some cases, production can be tailored to fit the sales market potential; in other cases, production will be less than the

maximum that might be absorbed by the market, either because of temporary lack of facilities or deliberately to maximize the return on capital employed, the plant having reached its economic capacity.

One may also envisage circumstances where demand is erratic and cannot be forecast in detail, so that the basic decisions will concern the fixed level of labour and equipment that must be maintained to meet such peaks of demand as experience indicates can arise. Repair and service activities provide examples of this nature.

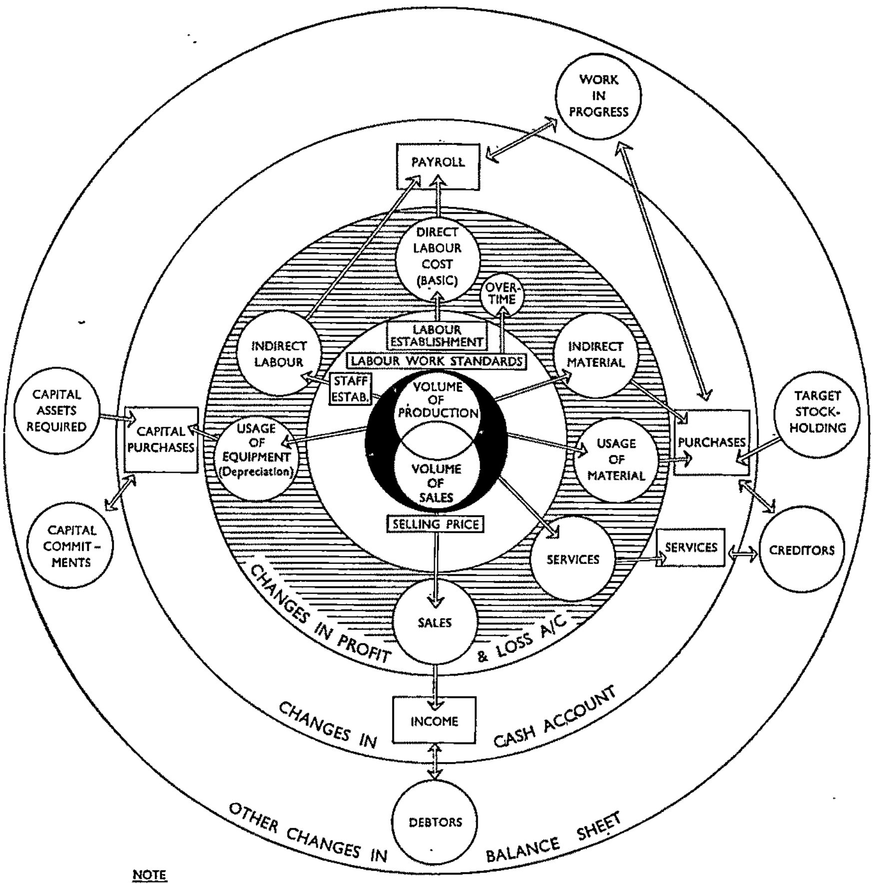
Certain enterprises, such as salvage work and some forms of constructional engineering, may be concerned with projects rather than with continuing operations. The main peculiarity of these is that, apart from administrative fixed expenses, the budget targets will be related to the individual project or contract rather than to arbitrary periods of time.

The Overhead Budget

It is clear, therefore, that the preparation of an overhead budget is not the first step in introducing management control through the accounts of an organization. The overhead budget (covering usage of equipment, indirect labour and material, services, and possibly overtime premium as shown on the target chart) can be developed satisfactorily only from the budgets of production and sales, or at the least from the budget of direct labour.

There are times when completely arbitrary overhead reduction may be enforced. This was done by Henry Ford when he emptied an entire office and had the desks destroyed. There are times when a 'system' of work has become so firmly established that the executive responsible is mentally incapable of extending his search for economies beyond the limits of that system, and the imposition of arbitrary economies is

TARGETS FOR BUDGETARY CONTROL



NOTE
Increases or reductions of invested capital, appropriations of profit, taxation and financial adjustments are not included above.

Figure 1

necessary to enforce the replanning of the work.

In general, however (setting aside the point that it is not always necessary to budget for a reduction of expense), the wrong attitude is exemplified by the young hopeful who announced that he would introduce budgetary control by 'going through last year's nominal ledger accounts, knocking off 5 per cent, and telling the managers those were their budgets for the new year'.

Three faults in budgeting are implicit in this statement:

(*a*) accepting monetary figures without investigating their physical basis (man-hours, units of electricity, bundles of cotton waste, premises occupied, or whatever it may be);

(*b*) making arbitrary adjustments without reference to the basic forecasts of production and sales; and

(*c*) attempting to control against standards which have not been accepted by those who are being controlled.

The word 'accepted' perhaps needs elaboration. There is, of course, a sense in which junior management must always accept the overriding authority of central management decisions; but passive acceptance can be turned into active collaboration when the junior management has been given the responsibility of studying his own overhead requirements and of justifying his proposals, and has then been given reasons for any modifications necessary in the interest of the efficiency of the company as a whole.

In any company of moderate size, the study of the physical bases of overhead budgets would be beyond the capacity of a single budget officer. The origination of budget proposals by junior management at once solves this difficulty and provides that collaboration which will be necessary for subsequent control of expenditure.

Collection of Budget Data

The budget officer's first task, therefore, is to ensure that budget proposals are collected in a form which will be simple for him and for junior management to deal with. Figure II shows one form used in collecting such information.

At the top of the form is noted the type of expense (Account title) and the department incurring the expense, that is, the department which will be held responsible for controlling actual costs against the budget. The manager of each such department will be given a sufficient number of sheets to cover all types of expense for which he will be held responsible.

When the scheme is first introduced it may be desirable in fact to go through the nominal ledger and build up a set of sheets for each departmental manager, showing the actually incurred expense of the latest convenient period. This will provide him with some basis on which to make his forward estimates. In subsequent years, the previous year's budget sheets will be available for this purpose; this will ensure that the method of building up estimates will be consistent from year to year.

The examples given in the illustration indicate methods of building up budget estimates for various types of expenditure. In general, the more detailed the information given, the easier will be the later task of explaining variances.

As the comparison of actual expenditure against budget will normally be made monthly, it will be necessary to break down the total budget figures into monthly apportionments; this is the purpose of the column at the right in the form illustrated. In the case of fixed overheads, the monthly apportionment once made will not be altered during the year. In the case of variable overheads, however, whilst a basic apportionment is desirable for building up a month-by-month profit plan, the control figure for each month must be reassessed on the basis of conditions prevailing during the month. This will give an 'allowance' for the month against which it will be fair to control actual expenditure. This allowance could be entered in red on the budget detail form alongside the original apportionment, or in the second set of monthly boxes.

Semi-variable items should be broken down into their fixed and variable constituents where these exist, or alternatively treated as either 'fixed' or 'variable' according to the preponderant influence in each case. It is theoretically possible to chart the movement of semi-variable expenses according to levels of activity, but in practice the time and skill available for such an exercise will often fall short of that necessary to yield significant control figures.

Each budget detail is classified as 'fixed' or 'variable' at the top of Figure II, for ease of reference.

In some cases expenditure will be incurred by one department for the benefit of another. Insurance premiums, for example, may be controlled by the secretary's department, but apportioned to productive departments for the purposes of departmental profit statements or product costs. This is indicated at the head of the form in the box marked 'Department chargeable'.

X.Y.Z. COMPANY LIMITED

BUDGET DETAIL 1960

Department Incurring Expense	Fixed		Department Chargeable	Account
	Semi-Variable			
	Variable			

Details	Calculation	Amount	Monthly Allowance	
		£		£
EXAMPLES (Each account would require a separate form.)			Jan.	
INSPECTION			Feb.	
Chief Inspector	£750 p.a.			
6 Inspectors Grade II	4*s* 2*d* per hour, 40-hour week		Mar.	
	Normal overtime, 8 hours at 5*s* 2½*d*			
CLEANING MATERIALS			Apr.	
Mops	3 per month at 15*s* each			
Petrol	½ gallon per week at 4*s* 6*d* per gallon		May	
Sundries	£2 10*s* per month			
			June	
ELECTRIC POWER				
Fixed charge (give basis)	£25 per quarter		July	
Unit charge.	125 Units per direct labour hour at 1·087*d*			
			Aug.	
COAL FOR HEATING				
	Oct.–Mar., 40 tons per month		Sept.	
	Sept., April, May, 30 tons per month			
	June–Aug., Nil		Oct.	
	at £16 per ton.			
			Nov.	
			Dec.	

Figure II

Presentation of Budget Summaries

After such management approval as is appropriate to the organization concerned, it is suggested that each departmental manager be provided by the budget officer with a summary of those budget details over which he exercises control. This summary will show totals for the year (or period of budget) and also the month-by-month apportionment for use by the departmental cost control section. The presentation will be supported by copies of the detail sheets. The departmental manager may also be given a similar schedule of the overheads chargeable to his department from other cost centres.

For top management, a summary of all departmental budgets will be prepared; this will be supported by copies of the departmental budgets and of all detail sheets.

The budget officer will require his own copies of all these documents, and he may find it helpful to use his copies of the detail sheets for recording changes which will have to be incorporated in the budget for the next period. The size of the organization will determine the extent to which he attempts to maintain this review in his own hands.

Conclusion

Figure II illustrates, therefore, a simple and convenient means of collecting budget data, of building up the overhead content of a profit plan, and of keeping divisional managers informed of the exact basis against which their activities are being controlled.

It also gives adequate information for building up monthly 'allowances' for cost control purposes on variable expenses.

Election Night Arithmetic

by W. L. SPALDING, B.Sc.(Econ.), C.A., F.C.W.A., F.C.I.S.

THROUGHOUT the announcements of the results of the General Election the commentators on radio and television will be giving calculations of the trends in voting disclosed by these results and estimates of their probable final effect upon the number of seats held by each party. Some readers may like to work out their own estimates of the significant figures and a method by which they could do so is outlined in this article. They may find it both interesting and exciting to put this check upon the commentators' figures. It was used on the night of the 1955 election and on that occasion gave a more reliable answer as to the final Conservative majority than the forecasts of the commentators.

The work involved consists of listing changes in majorities, calculating averages of these changes, and to some extent deriving from these the percentages which the changes in majority represent when related to the total votes cast. These calculations, to a sufficient degree of accuracy, can be readily worked out by anyone whose arithmetic is reasonably fast. No mechanical aids are necessary.

It will be advisable to have available a copy of the 1955 Constituency voting figures so that as each result is announced, the change in majority may be quickly calculated and listed. If, for instance, in a particular seat where approximately 50,000 votes are cast in total, the 1955 Conservative majority of 5,000 were to decline in 1959 to 3,000, the change of 2,000 can be considered for this purpose as representing a swing of opinion of 1,000 persons against the Government, i.e. 2 per cent of the voters causing a 4 per cent change of majority.

Recent general elections have shown a fairly uniform trend of change throughout the country and any calculations made are based on the assumption that this high degree of uniformity is likely to continue. It should, however, be remembered that it is the marginal seats which are of major importance and that it is the trend in these seats which is significant in relation to ultimate majorities. In the earliest part of the night the calculations will have to be based on all seats that have been declared. But before long attention will be mainly concentrated on the calculations for the marginal seats. By working out during these two stages the average percentages of swing, and then referring to the immediately succeeding table of probable final majorities it should be readily possible to forecast the final effect of the results known at the time of making the calculation.

Immediately prior to the 1959 election the strength of the parties may be treated as Conservative 343, Labour 281, Liberal 6, i.e. a Conservative majority of 62 over Labour. The approximate effect of changes in the strength of the two main parties resulting from gains and losses in the marginal seats is likely to be as follows:

½%	of voters	causing	1%	change in majority	*favourable* to	Government	=85	seats majority	over Labour.
1 %	"	"	2%	"	"	"	=100	"	"
1½%	"	"	3%	"	"	"	=120	"	"
2 %	"	"	4%	"	"	"	=150	"	"
2½%	"	"	5%	"	"	"	=170	"	"
3 %	"	"	6%	"	"	"	=185	"	"
3½%	"	"	7%	"	"	"	=205	"	"
4 %	"	"	8%	"	"	"	=220	"	"

½%	of voters	causing	1%	change in majority	*against*	Government	=50	seats Cons. majority	over Labour.
1 %	"	"	2%	"	"	"	=30	"	"
1½%	"	"	3%	"	"	"	=15	"	"
2 %	"	"	4%	"	"	"	=approximate equality		
2½%	"	"	5%	"	"	"	=15	seats Labour majority	over Cons.
3 %	"	"	6%	"	"	"	=30	"	"
3½%	"	"	7%	"	"	"	=50	"	"
4 %	"	"	8%	"	"	"	=65	"	"

Result No.	Name of Seat	1955 Majority	1959 Majority	Change in Majority favourable to Government	Change in Majority adverse to Government	Cumulative net total of changes of majority	Average change per Seat	Average per cent of Swing
1	Cheltenham	C 7,621	C					
2	etc.	etc.						
3								
4								
5								
6								
etc.								

Despite the larger number of Liberal candidates in 1959, it seems likely that the total number of votes cast will be about the same as in 1955. The average of all results declared on the election night of 1955 was approximately 44,000 votes per seat. The first twenty seats declared on that occasion averaged 41,500. A change of majority of 830 could therefore, if time does not permit of more exact calculation, be treated in the early part of the night as representing a switch of support by 1 per cent of voters causing a change of majority of 2 per cent.

It will be appreciated, by inspection of the table, that changes of majority of 4 per cent, equivalent to a shift of opinion by 2 per cent of voters, would on average represent 1,660 votes and that a sequence of changes in majority adverse to the Government and averaging 1,660 could be considered as likely to bring a position of equality between the two main parties. An average change of majority adverse to the Government in excess of 1,660 votes would, of course, foretell a Labour victory. In the earlier part of the night when all results being announced are being used for calculations a sheet laid out on the lines indicated above could be used.

When results in marginal seats begin to come through, they should be listed separately on the two tables for the marginal constituencies which are shown at the end of this article and it will be of major interest to observe whether the average percentage for swing in their case is corresponding closely to the average percentage over the full list of results thus far announced. It seems likely that the average swing in the marginal constituencies may be slightly smaller than in the others, and as soon as a few marginal seats are known it will be more useful to do detailed calculations for them than to try to note all the figures for non-marginal seats which may now be coming through in quick succession.

The important points about the tables of marginal seats which follow are:

(*a*) they have been listed in order of vulnerability according to the majority at the 1955 election expressed as a percentage of total votes then cast in that constituency. The table for those held by the Labour party starts off with those won at by-elections since 1955;

(*b*) the list excludes marginal seats where the result is likely to be delayed till the following day;

(*c*) the markings in the losing party's table made in the two columns under the heading '1959 majority' give an immediate picture of the extent of the swing which is taking place. These markings will tend to be concentrated in one of the two columns thus indicating the party which is gaining, and the distance down that column before markings swing in the main to the other column will give a visible measure of the extent of the swing. The table listing the seats held prior to the election by the gaining party will show virtually all results for '1959 majority' in one column and less attention will be paid to that table;

(*d*) the figure of 1 per cent of votes cast in each seat in 1955 will enable readers to make a quick and sufficiently accurate calculation of the swing percentage in each case. By separately listing these swing percentages (only from the table of seats defended by the losing party) and taking a sequence of averages from the cumulative totals of the percentages of swing it should be possible to obtain a very clear indication of the extent of change in that marginal list where changes of allegiance are taking place.

If the reader has (1) worked out the general percentage of swing over early announcements; (2) arrived at a close approximation of swing by inspection of the markings in the columns for '1959 majority' in the table of the losing party; and (3) has calculated the average percentage following upon separate listing of the percentages

of swing recorded upon the table of marginal seats held by the losing party, he should be able by reference to the first table in this article, to forecast the probable final majority with almost as much confidence as the commentators relying upon computers to aid them.

Table of Marginal Seats defended by Conservatives

1955 Majority as percentage of total votes	Constituency	1955 Majority	1959 Majority: For Government	1959 Majority: Against Government	Change in Majority: Favourable to Government	Change in Majority: Adverse to Government	Change in Majority: as percentage	1 per cent of 1955 votes equals
Exceptional	Kent, Gravesend ..	Held on minority vote (exceptional)						477
·2	Bradford North ..	69						421
·2	Plymouth, Devonport†	100						567
·5	Ealing North† ..	246						495
·6	Glasgow, Craigton	210						381
·9	Oldham East ..	380						434
1·0	Carlisle	370						397
1·1	Preston South ..	474						425
1·2	Glasgow, Scotstoun	428						368
1·4	Hants, Eastleigh ..	545						399
1·8	York	1,104						617
2·1	Battersea South ..	679						316
2·2	Wandsworth Central*	1,093						498
2·2	Hornchurch ..	1,372						631
2·8	Halifax	1,535						550
3·1	Walthamstow East..	1,129						364
3·5	Camberwell, Dulwich	1,851						522
3·5	Doncaster	1,660						474
3·7	Sunderland South ..	1,774						477
4·0	Watford*	1,717						434
4·1	Woolwich West ..	1,880						460
4·2	Liverpool, Kirkdale	1,814						429
4·9	Norwich South ..	1,758						355
5·3	Walsall South ..	2,426						457
5·3	Darlington* ..	2,581						489
5·7	Manchester, Wythenshawe	2,822						496
6·0	Brentford & Chiswick	2,105						348
6·4	Liverpool, Walton	2,862						448
6·5	Liverpool, W. Derby	2,584						396
6·6	Lancs, Heywood* ..	3,210						484
6·8	Plymouth, Sutton ..	3,810						563
7·0	Preston North ..	2,903						418
7·2	Bolton East.. ..	3,511						487
7·2	Bury & Radcliffe ..	3,749						523
7·4	Southampton, Test†	3,842						520
7·6	Bradford West ..	3,159						414
7·9	Kent, Chislehurst ..	3,870						492

* Liberal candidate in 1959 but not in 1955.

† Liberal candidate in 1955 but not in 1959.

Table of Marginal Seats defended by Labour

1955 Majority as percentage of total votes	Constituency	1955 Majority	1959 Majority: For Government	1959 Majority: Against Government	Change in Majority: Favourable to Government	Change in Majority: Adverse to Government	Change in Majority: as percentage	1 per cent of 1955 votes equals
By election gains								
C 10·8	Glasgow, Kelvingrove	C2,888						267
C 7·9	Lewisham North* ..	C3,236						409
C 3·1	Rochdale*	C1,590						514
Other								
·3	Barons Court* ..	125						413
·5	Wandsworth, Clapham	225						445
·5	Reading	238						501
·6	Manchester, Gorton	269						420
·6	Glasgow, Provan ..	180						309
·9	Blackburn	489						520
1·3	Acton	525						407
1·4	Willesden East ..	659						461
1·8	Bristol North-east ..	876						487
1·8	Gloucester* ..	748						419
2·0	Salford West ..	859						440
2·1	Northants, Wellingborough	926						445
2·3	Dunbarton East ..	1,130						497
2·7	Holborn & St Pancras	931						344
2·7	Greenock*	1,033						376
2·9	Edinburgh Central	939						325
2·9	Liverpool, Edge Hill	1,120						390
3·0	Stirling & Falkirk ..	1,306						427
3·1	Accrington	1,345						436
3·2	Coventry South ..	1,688						532
3·3	Hartlepools ..	1,585						486
3·6	Birmingham, All Saints	1,307						364
3·6	Brighouse & Spenborough	1,626						457
3·7	Bristol North-west	1,655						442
3·8	Lancs, Widnes ..	1,449						381
3·9	Ashton under Lyne	1,965						504
3·9	Bootle	1,438						366
4·2	Newcastle East ..	1,822						438
4·4	Salford East ..	1,728						389
4·6	Birmingham, Perry Bar*	1,680						367
4·7	Dunbarton West ..	1,952						417
4·8	Eccles	2,326						483
4·8	Rochester	2,447						508
4·8	Manchester, Ardwick	2,082						435
5·0	Romford*	2,625						520

Table of Marginal Seats defended by Labour – continued

1955 Majority as percentage of total votes	Constituency	1955 Majority	1959 Majority: For Government	1959 Majority: Against Government	Change in Majority: Favourable to Government	Change in Majority: Adverse to Government	Change in Majority: as percentage	1 per cent of 1955 votes equals
5·0	Edinburgh East ..	2,042						403
5·4	Lancs, Huyton ..	2,558						471
5·5	Nelson & Colne ..	2,291						420
5·5	Northampton* ..	3,348						609
5·9	Ipswich*	3,582						610
3·6 and 2·6	Dundee West	1,874 Com 1,335						515
6·2	Sunderland North..	2,836						456
6·3	Eton & Slough ..	2,443						386
6·3	Yorks, Sowerby ..	2,783						443
6·4	Barrow in Furness..	2,759						428
6·6	Rossendale* ..	2,911						440
3·5 and 3·2	Warwick, Rugby* ..	1,378 Ind 1,274						391 391
6·9	Birkenhead* ..	3,181						459
6·9	Coventry North ..	3,173						459
7·0	Birmingham, Yardley	3,124						443
7·4	Newport	4,360						587
7·6	Grimsby	3,522						463
7·7	Lanark, Motherwell	2,885						374
7·8	Wood Green ..	3,712						473

* Liberal candidate in 1959 but not in 1955.

The Accounting World

SOUTH AFRICA

Tax Avoidance Schemes

THE Income Tax Act, 1959, in addition to setting out the rates of tax for the year of assessment ended June 30th, 1959, and giving effect to the changes announced by the Union's Minister of Finance during his Budget speech earlier this year, has reworded Section 90 of the principal Act (the Income Tax Act, 1941). This section is designed to counteract transactions, operations or schemes entered into by taxpayers for the purpose of avoiding liability for, or reducing amounts of, taxes on income and has been amended because the Department of Revenue considered that its scope, particularly in the light of case law, was too narrow.

Paragraph (*a*) of subsection (1) of the original Section 90 provided that, if the Commissioner was satisfied that any transaction, operation or scheme entered into or carried out by a taxpayer for the purpose of avoiding or reducing liability for the payment of tax, he may determine the amount of the tax payable by the taxpayer as though the transaction etc. had not been entered into or carried out. The decision in the case of *C.I.R. v. King* ([1947] (2) S.A. 196 (A.D.)) limited the scope of this paragraph to such transactions as result in the fruits of a taxpayer's capital or labour accruing to another. In addition, it was held that the paragraph could be invoked only in cases where the avoidance, reduction or postponement of liability to tax was the dominant motive. The explanatory memorandum on the Income Tax Bill, 1959, said that this decision would mean that 'the section would probably not be held to be applicable in the case of any transaction involving the alienation of income-producing assets' and this precluded 'transactions, operations or schemes at which it was aimed'. Accordingly, the new wording

expressly includes transactions involving the alienation of property and permits the transaction etc. to be disregarded if, in the opinion of the Commissioner: (1) it was entered into by means or in a manner which would not normally be employed; or (2) it has created rights or obligations which would not normally be created between persons dealing at arm's length; and (3) the avoidance, postponement or reduction of liability was the sole or one of the main purposes of the transaction etc.

A further new provision is designed to bring within the scope of the section, Union taxpayers who seek to avoid taxation by disposing of shares in Union companies to persons not ordinarily resident nor carrying on business in the Union or to companies registered outside the Union. The Minister in the Second-reading Debate on the Bill stated that the new provision is aimed at two types of transaction. Firstly, those where wealthy Union shareholders escape supertax on dividends by forming non-Union companies to hold their shares, so that the dividends therefrom are then only subject to a non-resident shareholder's tax of 1*s* 6*d* in the £; and secondly, those designed to divert profits to countries having a tax rate lower than that applicable in the Union, i.e. South West Africa and Rhodesia.

Whether the authorities have been successful in their attempt to bring almost all tax avoidance transactions within a single drag-net will only be known after the inevitable test before the Courts. In the meantime, there is no doubt that the new Section 90 will act as a strong deterrent to taxpayers seeking to reduce their tax liability.

NEW ZEALAND

Society's Jubilee

OVER 600 members and their ladies from all parts of New Zealand will be attending the Golden Jubilee Convention of the New Zealand Society of Accountants to be held at Wellington from March 25th to 30th, 1960.

A comprehensive programme has been arranged and the subjects of four of the five papers to be present have been announced as follows: 'Economic prospects for New Zealand in an expanding world', by Sir Douglas Copland, Principal, Administrative Staff College, Mount Eliza, Victoria; 'Financial reporting: the accountant's responsibilities', by Mr R. K. Yorston, F.C.A.(AUST.), of Sydney; 'Developments and trends in auditing', by Mr G. H. L. Davies, F.P.A.N.Z., and 'The future of accountancy education in New Zealand', by Mr M. B. Fippard, F.P.A.N.Z.

Among overseas representatives attending will be Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales; Mr Arthur Foye, a past president of the American Institute of Public Accountants, and chairman of the 1962 International Congress Committee; and a member of The Institute of Chartered Accountants of Scotland whose name is yet to be announced. The Association of Certified and Corporate Accountants will be represented by Mr George Roddick, F.A.C.C.A., A.R.N.Z., who is resident in Auckland.

National Tax Committee Formed

THE Council of the Society has set up a national tax committee composed of ten members to undertake an examination of all new tax legislation, appraising its effects in the light of taxation principles. The committee will meet annually, or more frequently if necessary, and a fair, unbiased comment on annual legislation would be undertaken. Among its other functions will be to receive and examine representations from members of the Society on tax matters concerning anomalies and to foster closer co-operation with the Inland Revenue department, particularly in administration difficulties affecting members of the Society.

UNITED STATES

Electronics in Management

Current developments in automatic data processing systems will be the theme of the Sixth Institute on Electronics in Management to be held at The American University, Washington, D.C., from November 2nd to 6th, 1959.

Sponsored by the School of Government and Public Administration of The American University, the Institute is designed for management personnel from government, business and industry, particularly those who are engaged in planning or using automatic data processing systems.

Sessions will be held from 9 a.m. to 4.30 p.m. daily and topics for discussion include: improving measurements for management through automatic data processing systems, integrated data systems, developments in data communication, techniques for source data automation, and new equipment reports.

GERMANY

Structural Cost Studies

TRADE associations and other official bodies in Germany's economic organization are now required by law to prepare reviews of the cost structure of industries. These studies, states *Die Wirtschaftsprüfung* (Stuttgart), will be used in conjunction with turnover tax statistics for national income accounting.

The aim is to ascertain the value of fiscal and business turnover, stocks of finished goods and equipment manufactured for own use, analysed into materials, labour and expense by type. For specified groups of industries, in respect of which this data would not provide an adequate picture of cost structure, additional information is to be obtained from balance sheets (e.g. fixed assets, receivables, payables, etc.).

The studies are to commence with the year 1959;

this year being allocated to a study of most industries, including electricity, gas and water works, and crafts. The second year of reviews will be devoted to transportation and other industries not specified for 1959. In the third year, similar studies will be made of the wholesale trade, factors and other agents; and the fourth year will cover the retail trade, hotels and restaurants. The cycle will then recommence with industries and crafts, and continue in the same order.

Information is to be obtained by means of questionnaires to which answers will be invited on a voluntary basis.

Weekly Notes

Scottish Institute's New Syllabus

THE long anticipated academic year – the main feature of the new training scheme for apprentices of The Institute of Chartered Accountants of Scotland – comes into being in September 1960. To keep masters and pupils fully informed and to help them to understand the changes and to minimize transitional difficulties, the Council has recently issued a *C.A. Apprentice Guide* which explains fully the new curriculum and sets forth the examination syllabus to be. This publication supersedes the *General Summary of Rules for Admission of Members and Syllabus of Examinations*, the last reprint of which was in October 1958.

The section of main interest to apprentices generally is that dealing with examinations. Diets under the old syllabus will continue until December 1960 and there will be a 'last chance' to sit the Second Division of the Final examination in May 1961. In April 1961, Parts I, III (A), and IV, will make their debut, followed in May by Parts II, III (B), and V. There will be another examination in all five parts in September 1961 and, thereafter, each year there will be a spring diet of examinations (held in April and May) and an autumn diet (in September) on the new syllabus. The intention behind this timing is that spring failures will be given another opportunity in the autumn and, if successful, may thus avoid falling in arrears with their work and examination programmes.

Part I of the new syllabus consists of two papers, one in arithmetic and algebra and one in elementary book-keeping. These may be taken separately. Part II has four papers – accounting, income tax, auditing and précis writing, etc. Part III (A) has three papers – general commercial law, company law and insolvency, and the law applicable to trustees and arbiters, and Part III (B) one – political economy. Part IV has three papers – two on the preparation and presentation of accounts and one on taxation and estate duty and Part V has four – advanced accounting, auditing, cost and management accounting and investigations and valuations.

Inevitably at this stage there are a large number of exceptions to the general rules but the Council has made every endeavour to state the principles of eligibility and exemption, with clarity. No apprentice should be at a loss to know, after a careful study of this new guide, what his future work programme and examination commitments are.

Deferment of National Service

CHANGES in the regulations relating to deferment – now in operation – have necessitated certain amendments to that part of the current edition of the booklet issued by The Institute of Chartered Accountants in England and Wales called *General information and syllabus of examinations* dealing with liability for National Service. Where an articled clerk has not passed his Intermediate examination after completing four years of his articles he may be permitted, if the date of the completion of his articles is before July 1st, 1960, to finish his articles. If, however, the date of completion is after June 30th, 1960, he will not be permitted to finish his articles and will have to undertake his National Service as soon as it is known that he has not passed the Intermediate examination within the prescribed period.

Where clerks have passed the Intermediate examination by the time that four years of articles have been completed, deferment may be granted to enable them to sit the Final examination. The period and conditions of this further deferment differ according to individual circumstances but three general rules apply – that only one re-sit will be allowed; that any candidate who does not present himself for the first Final examination for which he is eligible will be regarded – for the purposes of deferment – as having failed; and that no one will be allowed to pass out of liability for National Service. This being so, deferment will not be given to anyone to begin a course of training which could not be completed before his twenty-sixth birthday if this occurs before January 1st, 1961.

Similar provisions to the above have been made for clerks who began their careers under the auspices of The Society of Incorporated Accountants and are now continuing them under the terms of the scheme of integration.

Company Law and the Election

WHATEVER may have been their views before the General Election campaign started, the two major parties are now committed to a revision of the Companies Act. The Jasper affair has forced

both the Conservatives and the Socialists to take up position on the legal aspect of take-over bids. An electioneering atmosphere is not one of the best for a clear consideration of the issues involved but leading politicians on both sides have committed themselves to a review of company law.

Mr Macmillan has said that he is concerned about the new developments in take-over bids and has re-emphasized his party's plan to set up a committee to review the Companies Act, and Mr R. A. Butler has expressed a similar opinion. Mr Harold Wilson had already expressed his party's intention of dealing with the law regarding take-over bids at an election meeting in Lancashire and over the radio.

Building Society Law Reform

IT has been apparent for some time that changes in the law regarding building societies were likely to be brought forward by the next Government, whatever its colour. There have been warnings in the recent past both from the Registrar of Friendly Societies and from the Building Societies Association about the dangers of societies offering high interest rates based on speculative mortgages. The Jasper affair has drawn attention to the weaknesses in building society law, especially to the ease with which groups of little financial substance can establish a building society and advertise for deposits.

Much of the attraction of speculative investment and the creation of mushroom building societies has followed on from rent restriction and inflation. The Government and the more responsibly minded building societies, which constitute the vast bulk of the movement, have been aware of the dangers of the combination of obsolete legal provisions, controlled rents and inflation but it has taken the Jasper affair to force on the pace of reform. Leading politicians in both the main parties, including the Chancellor of the Exchequer, have promised new building society legislation in the next Parliament.

Pensions Ministry Report

A PHOTOGRAPH of Field-Marshal the Viscount Montgomery of Alamein, K.G., G.C.B., D.S.O., stepping into the local Post Office for his national insurance pension graces the pages of the *Report of the Ministry of Pensions and National Insurance* for the year 1958 (Cmnd. 826, H.M.S.O., 7*s* net). Nothing if not topical, the report points out that in 1958 war pensions and national insurance benefits were increased by amounts larger than at any time since the inception of the scheme. Late-age entrants into insurance brought the number of retirement pensioners to over 5¼ million compared with 4¾ million at the end of the previous year; obviously a sizeable section of the electorate. The average number of benefits of all kinds being paid each week is now about 11½ million.

The report deals with human as well as financial problems. Warm tribute is properly paid to the help given by voluntary organizations in the work of easing the lot of disabled pensioners. In spite of the increased scope of the work, the Ministry staff has fallen in numbers by 284, to 36,025. Of these, 1,401 were at headquarters, 2,408 at the Blackpool Central Office, 6,646 at the Newcastle Central Office, and the remaining 25,570 spread over regional and local offices, including central offices in Scotland and Wales.

Church Statistics

FOR the first time in its history, the Church of England has issued a book[1] devoted entirely to statistical records of its life and work and of its parochial finances. The information, compiled from the latest available ecclesiastical and civil sources, is so presented as to give, in most instances, separate totals for each of the forty-three dioceses in the Provinces of Canterbury and York. Particulars of membership, ordained manpower, church buildings, baptisms, confirmations, marriages and finances are assembled in forty-six tables and there are ten diagrams, some in colour, to give visual verisimilitude to the many columns of figures.

All kinds of intriguing cross-country comparisons may be made when browsing through the tables. To take but one example – why should the diocese of Exeter, with 686 parish and other churches, have 3,252 bell-ringers, paid and unpaid, while London with a comparable number of 859 churches has only 852 bell-ringers, amateur and professional? Is this a question of architecture or automation or campanological zeal or what? It cannot be one of population because there are five times as many people in the diocese of London.

An Office in the Country

IN a recent paper given by Mr D. B. Tregoning before the Chartered Insurance Institute called 'Problems of location' he set out some of the advantages and disadvantages of establishing a company's head office in the country and also some of the problems which arise with establishing regional offices. His remarks were particularly applicable to insurance companies but they are also relevant for any concern which is faced with the problem of extending office accommodation in heavily built-up urban areas.

The cost of a large country office, he said, can be taken at £1,000 for each member of staff compared with £2,000 to £2,500 per head in London. When a country office is planned there is a chance to meet future as well as present requirements and to get first-class trained married women willing to do part- or full-time work near their homes. Specialists are more difficult to secure in the country, however, and there is overall usually no immediate saving in salaries. Experience has shown that attendance

[1] *Facts and Figures about the Church of England* – Church Information Office, 4*s* 6*d*.

records and timekeeping are better in the country and that good eating facilities are more easily established and so are social activities.

In establishing regional offices, one of the most important points is for head office to accept the principle of decentralization. A regional office must be left to take decisions and control branch managers within the framework of policy laid down by head office.

F.B.I. on the 'Outer Seven'

THE feeling that the establishment of the European Common Market and the 'Outer Seven' of the Free Trade Association may split Western Europe into two economic hostile groups has not diminished over the holiday season. Speaking to the Purchasing Officers' Association last week, the President of the Federation of British Industries, Mr W. H. McFadzean, C.A., said that industrial opinion in this country is dominated by the need to avoid such a split. So far as the Free Trade Association is concerned, he thought it essential that it should be expansionist in its outlook and that it should be a test of whether the Free Trade Area idea could work.

Meanwhile, at Strasbourg the 'Parliament' of the European Economic Community (which is a debating body) approved the new proposals made by the Economic Market secretariat for a new approach to the problem of the community's relations with its neighbours. At the Hague, the Dutch Government has made it quite clear that it will not sacrifice the tangible advantages of the Common Market for a looser arrangement which would be wider geographically but less close in its economic ties. This is a clear warning that the European Common Market is beginning to work to the advantage of its members, and that even those who formerly were favourably disposed to the Free Trade Area idea may not necessarily remain so with the passage of time.

Management Accounting Conference

A group taken at the three-day conference on management accounting held at Pembroke College, Cambridge, last week-end by the London and District Society of Chartered Accountants.

Back row, left to right: Mr J. C. DURNIN, F.C.A., *Leader, Group B*; Mr L. D. MORSE, F.C.A., *Leader, Group G*; Mr A. R. HILLS, A.C.A., *Leader, Group L*; Mr S. G. MORGAN, M.B.E., A.C.A., *Leader, Group F*; Mr N. CASSLETON ELLIOTT, M.A., F.C.A. Middle row, left to right: Mr H. GORDON SMITH, F.C.A., *Leader, Group I*; Mr W. H. LEATHER, M.A., F.C.A., *Leader, Group D*: Mr D. NAPPER, A.C.A., *Leader, Group H*; Mr L. F. DURMAN, F.C.A., *Leader, Group A*; Mr B. A. MAYNARD, M.A., F.C.A., *Leader, Group E*; Mr C. ROMER-LEE, M.A., F.C.A., *Leader, Group K*; Mr J. W. G. COCKE, T.D., M.A., A.C.A., *Secretary of the Society*; Mr G. C. DE G. ANDERSON, B.A., *Assistant Secretary*. Front row: Mr S. V. BISHOP, M.C., A.C.A., *Speaker*; Mr H. O. H. COULSON, F.C.A., *Speaker*; Mr C. H. SUTTON, F.C.A., *President, East Anglian Society of Chartered Accountants*; Mr G. B. C. HUGHES, B.A., A.C.A., *Chairman of the Conference*; Mr J. D. RUSSELL, M.A., F.C.A., *Chairman of the Society*; Mr W. S. HUTTON, M.A., *Bursar of Pembroke College*; Mr F. T. HUNTER, F.C.A., *Speaker*; and Mr A. E. F. GILBERT, F.C.W.A., *Speaker*.

Finance and Commerce

New Form

A NEW form of presentation has been adopted for the accounts of Stevinson, Hardy & Co Ltd, which form this week's reprint. The company is basically in business as tanker managers and brokers, fuel oil distributors, etc., though details of the group given with the annual report show a number of outside interests, including the 'REDeX' oil and fuel additive business and Upminster Garages Ltd.

The accounts are for eleven months to March 31st and the adoption of this date has had an important effect on the company's tax position as shown in the accounts. A further tax factor is the investment allowance to which the parent company will be entitled in respect of the first progress payment on a new tanker.

The chairman, Mr H. I. Stevinson, explains that one consequence of the change in accounting date is that the accounting period will now virtually coincide with the income tax year. It will be possible, therefore, to provide for all tax on profits earned to date without having to carry two years' income tax liabilities in the balance sheet.

It is thus also possible to release a proportion of the amount set aside last year for income tax in 1959–60 and it will be seen, says Mr Stevinson, that £78,810 – of which £24,000 relates to the parent company – has been brought to credit in the consolidated profit and loss account under that heading. The actual amount of the surplus provisions cannot be ascertained until the necessary adjustments have been agreed for each member of the group: in the meantime the sums brought back to revenue reserve have been computed on a conservative basis.

Investment Allowance

Under existing legislation, the parent company will eventually be entitled to an investment allowance of 40 per cent on the full construction cost of the new tanker. The benefit will be spread over several years and the £64,000 credited in these accounts is the amount of the relief which it is estimated will be available against tax on profits earned up to the date of the balance sheet.

Mr Stevinson draws particular attention to the manner in which the investment allowance has been dealt with in the accounts. The directors considered it preferable that the result of the year's operations should not be distorted by the effect of this special form of relief and the tax saving has accordingly been transferred directly to undistributed profits, leaving a charge of £151,860 against the current profits.

The company is maintaining its rate of dividend on a capital increased by a Rights issue but instead of recommending a final distribution, the directors have declared a second interim to avoid any delay in the payment that might have resulted had the printing dispute delayed the convening of the annual meeting. It is not unknown in the company world, of course, for all dividends to be declared as interims.

Profit Participation

Turning on the matter of the new tanker, the directors put forward rather controversial proposals. Mr Stevinson explains that under their existing service agreements, the directors participate in the annual profits of the group. The time factor, however, makes it unlikely that the majority of the present board would so participate in any residual value remaining at the expiration of the tanker's time charter which expires in about 1980. In these circumstances, Mr Stevinson feels it is 'not unreasonable to suggest an alternative means whereby the present members of the board, on whose shoulders the responsibility of the negotiations had rested, could share in any ultimate reward'.

It is proposed, therefore, that the directors should participate in any deferred profit as they do in current profits by being allowed to buy at par nine out of the sixty non-voting £1 shares of Stevinson Hardy (Tankers) Ltd, which the parent company now holds. This would give the directors a 9 per cent interest in the eventual equity but would leave the parent company with full voting control.

Jasper Jig-Saw

THE 'Jasper affair' now seems to have reached a point where it may be some time before any fresh light is thrown on the situation. The matter – or varying aspects of it – is now the subject of a three-pronged investigation by the Board of Trade, the Fraud Squad and by three City firms of chartered accountants.

Piece by piece, the greater part of the financial jig-saw has been put together but some major key pieces are still needed to complete the picture. The main missing piece is the matter of the £3¼ million which The State Building Society appears temporarily to have lost sight of. That sum appears to have been money raised by Mr Friedrich Grunwald, an associate of Mr Jasper and a client of Jasper & Co, bankers, to help finance the take-over of Lintang Investments.

The position is complicated by the point that having undertaken to buy a controlling interest in Lintang from Mr Maxwell Joseph and other Lintang directors, Mr Grunwald then seems to have pledged 3,300,000 shares with Mr Joseph as collateral security for a loan of £1½ million to help finance the purchase of the minority shares. The problem is whether or not the shares pledged were originally bought with the £3¼ million that The State Building Society admits to be missing.

STEVINSON, HARDY & CO. LIMITED AND SUBSIDIARY COMPANIES

Balance Sheet and Consolidated Balance Sheet at 31st March, 1959

	Sch.	PARENT COMPANY	PARENT COMPANY 30.4.1958	GROUP	GROUP 30.4.1958
FIXED ASSETS	1	£132,131	*£116,260*	£695,147	*£680,849*
STEAM TURBINE TANK VESSEL UNDER CONSTRUCTION — Progress Payment (see Note 1)		610,000		610,000	
NTEREST IN SUBSIDIARY COMPANIES	2	1,351,408	*1,162,693*		
TRADE INVESTMENTS	3	10,574	*8,031*	22,084	*20,844*
		2,104,113	*1,286,984*	1,327,231	*701,693*
NET CURRENT ASSETS					
Stocks as valued by the Companies' Officials		76,500	*116,446*	480,820	*497,236*
Debtors and Payments in Advance ..		306,558	*293,360*	890,672	*775,783*
Quoted Investments, at cost .. .. Market Value £10,539 (*£25,345*)				10,222	*25,278*
Balances at Bankers and Cash in Hand		68,327	*8,523*	147,509	*29,155*
Total Current Assets		451,385	*418,329*	1,529,223	*1,327,452*
Less: Current Liabilities	4	394,000	*479,523*	586,285	*776,993*
		57,385	*Cr. 61,194*	942,938	*550,459*
		2,161,498	*1,225,790*	2,270,169	*1,252,152*
Less: BANK LOAN (Secured by a Debenture — See Note 1)		564,250		564,250	
5% Unsecured Notes			*100,000*		*100,000*
NET TANGIBLE ASSETS..		£1,597,248	*£1,125,790*	1,705,919	*1,152,152*
Less: INTEREST OF OUTSIDE SHAREHOLDERS				5,488	*18,455*
NET TANGIBLE ASSETS ATTRIBUTABLE TO PARENT COMPANY ..				1,700,431	*1,133,697*
INTANGIBLE ASSET—Premium at which Shares in Subsidiary Companies are held				197,320	*202,870*
				£1,897,751	*£1,336,567*
REPRESENTING:					
Authorised and Issued Share Capital: 2,000,000 Shares of 10/- each, fully paid		£1,000,000	*£700,000*	£1,000,000	*£700,000*
Share Premium Account	5	147,683		147,683	
Revenue Reserve—Profit and Loss Account		449,565	*383,790*	678,118	*526,067*
Future Taxation—Amount set aside for Income Tax, 1959/1960			*42,000*	71,950	*110,500*
TOTAL CAPITAL AND FUNDS ..		£1,597,248	*£1,125,790*	£1,897,751	*£1,336,567*

H. L. STEVINSON, *Chairman*
E. G. GRANT, *Director*

Schedules to Balance Sheets

	PARENT COMPANY	PARENT COMPANY 30.4.1958	GROUP	GROUP 30.4.1958
1. FIXED ASSETS				
Freehold and Leasehold Land and Buildings, Plant and Machinery	£103,286	*£75,601*	£771,080	*£705,371*
Less: Depreciation	10,584	*2,041*	201,256	*164,070*
	92,702	*73,560*	569,824	*541,301*
Vehicles	167,238	*159,797*	332,624	*311,242*
Less: Depreciation	132,164	*121,246*	229,839	*192,705*
	35,074	*38,551*	102,785	*118,537*
Furniture and Equipment	10,734	*9,837*	49,372	*44,449*
Less: Depreciation	6,379	*5,688*	26,834	*23,438*
	4,355	*4,149*	22,538	*21,011*
Total	£132,131	*£116,260*	£695,147	*£680,849*
The gross values are stated at cost except in the case of approximately £80,000 of fixed assets of Subsidiaries which are stated at Directors' Valuations or at net book values in 1948.				
2. INTEREST IN SUBSIDIARY COMPANIES				
Shares, at cost	£621,136	*£610,165*		
Loans, Current Accounts and Dividends Receivable	730,272	*552,528*		
	£1,351,408	*£1,162,693*		
3. TRADE INVESTMENTS				
Shares, at or under cost	£10,574	*£8,031*	£23,484	*£20,944*
Loans			5,600	*6,900*
			29,084	*27,844*
Less: Reserve			7,000	*7,000*
	£10,574	*£8,031*	£22,084	*£20,844*
4. CURRENT LIABILITIES				
Creditors and Accrued Charges	£296,348	*£329,105*	£447,851	*£512,936*
Bank Overdraft (Secured)			7,523	*24,951*
Taxation	11,402	*92,668*	44,661	*181,356*
Distributions Payable 19th September, 1959:				
Second Interim Dividend of 10%, *less* Income Tax	61,250		61,250	
Proposed Final Dividend of 10%, less Income Tax		*40,250*		*40,250*
Distribution of 3d. per share free of Income Tax	25,000	*17,500*	25,000	*17,500*
	£394,000	*£479,523*	£586,285	*£776,993*
5. SHARE PREMIUM ACCOUNT				
Premium on Issue of 600,000 Shares at 15/6d. per share	£165,000			
Less: Share Issue Expenses, Premium on Redemption of Unsecured Notes and Stamp Duty on Debenture	17,317			
	£147,683			

STEVINSON, HARDY & CO. LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the period of Eleven Months ended 31st March, 1959

	Sch.	PARENT COMPANY	Parent Company Year ended 30.4.1958	GROUP	Group Year ended 30.4.1958
GROUP TRADING SURPLUS	1			£310,494	*£251,597*
Deduct: Taxation	2			151,860	*153,017*
				158,634	*98,580*
Deduct: Interest of Outside Shareholders				24	*1,675*
PARENT COMPANY'S INTEREST IN GROUP PROFIT		£158,610	*£96,905*	158,610	*96,905*
Less: Amounts retained by Subsidiaries		34,170	*36,343*		
PROFIT DEALT WITH IN THE ACCOUNTS OF THE PARENT COMPANY		124,440	*60,562*		
Deduct: Dividends:					
Interim 5% and Second Interim 10%, *less* Income Tax		90,000	*60,375*	90,000	*60,375*
BALANCES RETAINED		£34,440	*£187*	£68,610	*£36,530*
UNDISTRIBUTED PROFITS					
Balances brought forward		£233,813	*£233,626*	£357,362	*£320,832*
Add:					
Balances Retained (as above) ..		34,440	*187*	68,610	*36,530*
Taxation Adjustments:					
Estimated Surplus Provisions arising from change of Accounting Date		24,000		78,810	
Estimated Investment Allowance Relief	2	64,000		64,000	
Distribution by a Subsidiary out of 1958 Profits		2,336			
		358,589	*233,813*	568,782	*357,362*
Add:					
Realised Capital Profits	3	90,976	*149,977*	109,336	*168,705*
		£449,565	*£383,790*	£678,118	*£526,067*

Schedules to Consolidated Profit and Loss Account

	PARENT COMPANY	Parent Company Year ended 30.4.1958	GROUP	Group Year ended 30.4.1958
1. THE GROUP TRADING SURPLUS includes Investment Income and Interest Receivable £7,224 (*1958:* £2,449) and has been arrived at after charging the following items:				
Audit Fees	£683	*£788*	£3,278	*£3,353*
Depreciation			84,740	*73,249*
Loan Interest			6,133	*5,000*
Remuneration of Directors of the Parent Company:				
Directors' Fees			400	*600*
Executive Directors' Emoluments..			38,891	*35,231*
Former Director's Pension			500	
			£133,942	*£117,433*
2. TAXATION ON PROFITS TO DATE				
Profits Tax			£31,550	*£37,800*
Income Tax			120,310	*115,217*
			£151,860	*£153,017*
In order to provide a true comparison Taxation has been charged in the Consolidated Profit and Loss Account without reference to the Investment Allowance on the progress payment in respect of the Steam Turbine Tank Vessel. The estimated relief available against profits earned up to 31st March, 1959, has been credited directly to Undistributed Profits and consists of:				
Profits Tax			£15,000	
Income Tax			49,000	
			£64,000	
3. REALISED CAPITAL PROFITS				
Balances brought forward	£149,977	*£163,053*	£168,705	*£174,703*
Realised during year		*4,424*		*11,502*
Less: Adjustment of previous years realisations			368	
	149,977	*167,477*	168,337	*186,205*
Less: Expenses of Tanker Finance ..	34,001		34,001	
	115,976		134,336	
Deduct: Distribution of 3d. per Share, free of Income Tax	25,000	*17,500*	25,000	*17,500*
	£90,976	*£149,977*	£109,336	*£168,705*

NOTES ON THE ACCOUNTS

1. In connection with the acquisition of the Steam Turbine Tank Vessel the Parent Company and Stevinson Hardy (Tankers) Ltd. (a subsidiary member of the Group), have entered into commitments the general effect of which is as follows:
   (*a*) The Parent Company is responsible for the construction cost of the vessel, the outstanding balance of which is estimated at £2,640,000, and has entered into arrangements with its Bankers under which 92½% of the construction cost (up to a maximum of £3,200,000) will be advanced on Bank Loan Account secured primarily by a charge over the Building Contract and a Debenture over the Parent Company's assets.
   (*b*) On completion in August, 1960, or thereabouts, the vessel will be purchased from the Parent Company by the above-mentioned Subsidiary for a consideration equal to the construction cost and will thereupon be delivered under a Time Charter by Demise, in prescribed terms, to The Shell Petroleum Company Ltd. for a period of twenty years.
   (*c*) The Subsidiary will finance the purchase to the extent of approximately 75% of the construction cost by an issue at par, outside the Group, of 7% Secured Loan Stock, redeemable within the period of the Charter and guaranteed by the Parent Company. The balance of the consideration will be financed by the Parent Company under revised arrangements with its Bankers which will then come into effect.
2. Foreign currency items have been converted into Sterling at the rates ruling on 31st March, 1959.

CITY NOTES

THE City and the stock-markets continue to make rather heavy weather of the General Election. The only consolation possibly is that by this time next week present doubts will either have been put at rest or confirmed. There is not much longer to wait.

Much of the almost flagrant optimism shown in the markets three weeks ago has evaporated; it would probably have evaporated to some degree, even without the current City fears that the Jasper affair will have influenced public political opinion.

With the change in market sentiment, 'nationalization' issues have been hardest hit. Steel shares, the market's truest barometer of the political weather, have fallen back heavily; so have insurance shares. A wide range of industrial equities have also dropped in price, despite the receipt of satisfactory profit and dividend news. Such news, of course, counts for little under present circumstances.

Political doubts have also been reflected in the foreign exchange market where sterling has been under some pressure. This weakness has been conveyed to the gilt-edged market where prices have eased back.

Throughout the stock-market, however, selling has been on a comparatively limited scale. New investment on the other hand is so hedged around by political qualifications that new buyers are very few.

The result is that a modest volume of selling has an exaggerated effect on quotations as jobbers, no more inclined than anyone else to take a decided election view, endeavour to keep their books even. The immediate prospect is of a gradual dwindling of business until the result of the General Election is known.

RATES AND PRICES

Closing prices, Wednesday, September 30th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

July 24	£3 9*s* 0·13*d*%	Aug. 28	£3 9*s* 9·03*d*%
July 31	£3 9*s* 8·19*d*%	Sept. 4	£3 9*s* 9·52*d*%
Aug. 7	£3 9*s* 7·97*d*%	Sept. 11	£3 9*s* 8·47*d*%
Aug. 14	£3 9*s* 8·13*d*%	Sept. 18	£3 9*s* 8·13*d*%
Aug. 21	£3 9*s* 8·39*d*%	Sept. 25	£3 9*s* 5·24*d*%

Money Rates

Day to day	2–3%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80 5/16–⅜	Frankfurt	11·72¼–½
Montreal	2·65⅝–¾	Milan	1739½–¾
Amsterdam	10·58–⅛	Oslo	19·99½–20·00½
Brussels	140·28–·29	Paris	13·76⅜–⅝
Copenhagen	19·32⅜–⅝	Zürich	12·13¾–·14

Gilt-edged

Consols 2½%	50 11/16	Funding 4% 60–90	89 9/16xd
Consols 4%	72¼	Savings 2½% 64–67	83 1/16xd
War Loan 3½%	64¾	Savings 3% 55–65	90⅜
Conversion 3½%	63 13/16	Savings 3% 60–70	80 13/16
Conversion 3½% 1969	87 11/16	Savings 3% 65–75	75 5/16
Exchequer 5½% 1966	103	Treasury 2½%	47¼
Funding 3% 66–68	84 3/16	Treasury 3½% 77–80	77 15/16
Funding 3% 59–69	83 3/16	Treasury 3½% 79–81	76⅝
Funding 3½% 99–04	70⅝	Victory 4%	95 1/16

Current Law

Mortgagees' Rights Against Deserted Wife

IN *Churcher and Another v. Street and Another* ([1959] 1 All E.R. 23) the plaintiffs as trustees of a will sought possession of a house which had been mortgaged by way of security for a loan made out of the trust moneys in their hands. The second defendant, Mrs D., was in possession as the deserted wife of D. After the desertion D. bought another house for his wife, but at the last minute she refused to go and live in it. D. borrowed £950 from the plaintiffs' predecessors as trustees and used it to pay off an earlier mortgage on the first house and to pay for the second house, charging both houses as security. Two years later D. sold the first house to his mistress, Mrs S., for £1,500. The mortgagees released it from the existing mortgage and granted a new mortgage, also for £950, to Mrs S., while D. charged the second house by way of collateral security. D. supplied the balance of the purchase price. Another two years later D. sold the second house, the mortgagees releasing their charge on it on payment of £200. The mortgagees knew at the time of both their mortgages that the first house was occupied by Mrs D. as a deserted wife and was her matrimonial home. Mrs S. did not defend the plaintiffs' action.

In granting an order for possession within six months, unless Mrs D. in the meantime made satisfactory proposals, Roxburgh, J., took into account the fact that the plaintiffs were trustees and were not involved in the matrimonial dispute, that D. had acted reasonably in regard to his wife's accommodation before the sale to his mistress, and that the wife had for sixteen years made no attempt to earn and continuance of her existing occupation would be at the expense of the beneficiaries under the trust.

Estate Agents Authorized to take Deposit

IN *Ryan v. Pilkington and Another* ([1959] 1 All E.R. 689), the plaintiff sued to recover two sums of £100 each paid by him to the first defendant, an estate agent, in respect of his proposed purchase of property belonging to the second defendant. The estate agent had given receipts for both these sums, the first 'as agent for' the vendor, and the second, on the same piece of paper, 'as agent'. The vendor then told the purchaser that the sale was off, and on being told of the deposits which had been paid advised him to recover them from the agent. The question at issue was whether the estate agent received the £200 as a stake-holder, in which case the prospective purchaser would be entitled to recover it from him, or whether he received it as agent for the vendor, in which case the prospective purchaser would be entitled to recover it from the vendor.

The Court of Appeal held that the estate agent purported to receive the money as agent for the vendor, and also that in doing so he was acting within the scope of his authority. Hodson, L.J., said: '... If it can be inferred that it would be within the scope of the authority of the estate agent to accept money as stake-holder, i.e. that he is in a position to take money as agent for both, I cannot see why in principle it should be outside the scope of that same authority to take money as agent for his vendor alone, even though nothing has been said by his principal about taking money at all.' In the result the plaintiff was entitled to succeed against the vendor.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Audit Points: Conveyance of Land

SIR, – We are engaged upon the audit of a limited company which owns land, part of which was sold during the year under review. Upon inspection of the deeds, we find that there is no record of such sale endorsed upon the original conveyance of the whole of the land to the company and, therefore, there is no indication of such sale except the completion statement supporting the cash received.

What protection would an auditor have, if the proceeds of the sale of part of a holding of land did not reach the company and he takes it that the whole of the land as originally purchased is still held? There seems to us that there is no sure means of finding out transactions in the sale of part of a holding of land.

Is there any obligation of the company's solicitor to endorse the conveyance recording part sales?

We should be glad to have your readers' views on the matter.

Yours faithfully,
BEWILDERED.

Rhythm in Division

SIR, – There is another useful fact about the figure nine which Mr Neely did not mention in his interesting article (September 19th issue).

If, at the end of a year, a cumulative total does not correspond with the moving annual total, there must be an error somewhere in the arithmetic. If the smaller total is subtracted from the larger, and the digits in the difference add up to nine, it invariably means that in the copying of the figures, from the original document on to the working sheet, two digits have been reversed.

Examples:

(*a*) Correct total		975
Total from copied figures ..		957
Difference		18
	1+8=	9
(*b*) Total from copied figures ..		139,432
Correct total		134,932
Difference		4,500
	4+5=	9

The knowledge of this fact can be helpful in quickly tracing where the slip has occurred.

Yours faithfully,
London, NW8. T. G. ROSE.

Institute Membership

SIR, – I am delighted to read in your report on the recent special meeting of the Institute that our President said the following:

> '... the Council has taken a strong stand from the point of view of treating the profession as a whole. We have fought, and we shall continue to fight in every possible way, against sectionalizing the profession'.

I now look forward to receiving notice of a special meeting at which the Council will propose the abolition of second-class citizenship, i.e. that those of us who found ourselves, as a result of integration, members of the Institute whilst retaining the description 'incorporated accountant', should henceforth become chartered accountants.

Yours faithfully,
WILLIAM R. GRIGSBY, A.S.A.A.
Angola, P.W.A.

SUMMER SCHOOL AT CAMBRIDGE

COST ACCOUNTANTS' TENTH RESIDENTIAL COURSE

The tenth residential summer school of The Institute of Cost and Works Accountants, was held at St Catharine's College, Cambridge, from Monday to Saturday of last week. The opening address was given by the President of the Institute, Mr Edward Emmerson, A.C.A., F.C.W.A., and four papers were presented.

After each paper, with the exception of Mr K. Buckley Edward's address on take-over bids given on Friday morning, the school divided into seven discussion groups. Each group leader prepared a detailed report which was presented to the author who dealt with the major points raised by the groups at a final session.

Installation of a Costing System

At the first session on Monday evening, Mr K. S. Ayres, F.C.W.A., director and secretary of Wilsons & Mathiesons Ltd, Leeds, explained that the object of his paper was to describe the processes involved in the installation of a costing system, but that it was first necessary to give some detail of the system itself. He opened his paper by describing a factory with about 1,000 workers and having departments including a foundry, machine, press, and tin-smiths shops, finishing and various servicing departments. The managing director was in control through a works manager and a secretary/chief accountant, under whom there was a cost accountant. When the history opens the board had instructed the installation of a system of cost control, including the establishment of standard product costs and monthly profit and loss accounts. A planning team was appointed, consisting of the cost accountant, the production engineer, and the progress and stores manager, holding monthly meetings. Punched-card machinery was available, and it was planned to install the system over a period of two years.

To ensure the co-operation necessary to achieve this target a meeting of managers was called, and a time-table was drawn up phasing the work of stores control, labour and overhead analyses, establishment of standards and variances, assembly of product costs, and production of monthly accounts.

The extra cost of the new system would be mainly in personnel, and a new establishment was drafted laying emphasis on section leaders. It was recognized that the cost during installation would be higher than normal, but afterwards it was expected that the cost office salary bill would be little more than previously. A suitable integrated coding system for the whole organization was a first task, and it was decided to start afresh throughout rather than try to adapt existing dissimilar codes. Stores were classified into about forty sub-groups arranged as a basis for price variances and, to allow for inflationary conditions, the actual cost of purchases was expressed as a factor of standard. Quantity standards were developed as work study progressed, but in the meantime the cost accountant drew initial standards from cost department records. Some difficulty was experienced in setting up usage variances owing to fluctuations in the amount of work in progress, and decision as to a positive method of control was deferred until the system had been installed.

When it came to overheads, cost control was first tried in a 'guinea-pig' department, as a result of which it was found to be necessary to give each foreman a personal explanation of the system. Fixed expense absorption was eventually omitted from the foremen's statements, being reported only to the works manager and managing director. The setting of reliable overhead standards could not be done in the two years, mainly owing to the difficulty of obtaining accurate budgets of indirect expenses and also to frequent changes in manufacturing methods, but it was considered that such standards were eventually important as works overheads represented over half of total costs. The approval of the managing director was obtained to the use of provisional standard product costs, based on past experience and estimates, to avoid holding up the whole programme. Production of monthly accounts on time was hindered by the fact that only one-quarter of a month's invoices was received from suppliers in the first three weeks of the succeeding month, but this was overcome by closing off and making provision for invoices not rendered, and by rearranging the work so that other duties were performed in the early part of each month.

Mr Ayres concluded by saying that much remained to be done at the end of the two years, and that the cost accountant had to consider his future requirements in an expanding business, the speeding up of the flow of information, and cost saving as well as cost control in his own department as well as elsewhere. No costing system can ever be regarded as finalized.

Measurement and Utilization of Capital Employed

The concept of return on investment provides a yardstick by which to measure the success with which material resources have been used. In a paper entitled 'The measurement and utilization of capital employed' Dr J. M. S. Risk, B.COM., Ph.D., C.A., F.C.W.A., F.C.I.S., a member of the Council of the Institute, dealt with the accounting basis to be used; the measurement of capital employed and the relevant profit; the need for different ratios for various levels and functions of management; the turnover of stock; and the utilization of fixed assets.

Dr Risk drew five main conclusions:

(1) With regard to return on investment, the principal purpose of accountancy is to compare

the cost of resources used up with the value of goods and services produced;

(2) each accounting statement should serve one purpose only;

(3) *the past:* used as a measure of past efficiency, the return on capital employed should be based on the actual cost of resources used up. ('Historical' cost basis.);

(4) *the present:* assets may be revalued and other adjustments made and shown in a separate statement along with the accounts to show the current book value of a company's shares;

(5) *the future:* financial policy is a matter affecting the future; a financial plan should be prepared for several years ahead. Financial prudence should find its expression in the appropriation account.

In recommending the use of actual costs for measuring the return on investment, Dr Risk did not seek to reject the use of replacement costs for other purposes. Indeed, a point of major importance is that his paper presented – perhaps for the first time – suggestions for an integrated scheme of accounting statements. His proposals might well go a considerable way towards providing a solution to the present unproductive arguments among accountants and others on the basis on which accounting statements should be prepared.

For the avoidance of waste and for directing resources into productive channels, the measurement and utilization of capital employed provide instruments of great service to management. In the future, the management accountant will adapt these instruments to a greater range and depth of purposes. (Dr Risk's paper will be reproduced in an early issue of *The Accountant.*)

Some Cost Aspects of Publicity

Mr C. Raeburn, A.C.A., A.C.W.A., cost accountant, Cadbury Brothers Ltd, Bournville, commenced his paper by saying that the views he was about to express were neither new nor original, but they were personal, and he acknowledged that he had borrowed liberally from *Advertising in a Free Society* by Ralph Harris and Arthur Seldon.

Distinguishing the wider meaning of 'publicity' from 'advertising' he gave some figures as to the proportion of the national income spent on the latter. He contrasted the view that advertising was wasteful and unnecessary expenditure, with the conception that it was constructive by creating demand and thus facilitating the benefits of mass production, and with other claims. Discussing the use of publicity in business he said that its type and intensity was largely influenced by the type of product, and he gave an indication of the relationship the costing man should cultivate towards it. The question of how much advertising was needed is one to which there is no accurate answer, but in practice it is influenced by such things as the policy of competitors, the degree of competition, the media field, expansion potential, and customer range. Some products appear to need, or at least they get, more advertising than others.

Turning to the costing treatment he said that, as advertising aims and methods varied, so too did the importance of advertising as a cost. He did not favour arbitrary division of expenditure unless it served some useful purpose, but even within the wider definition of publicity it might sometimes be desirable to allocate specifically part of advertising cost. In the absence of special considerations he considered the simplest method of spreading advertising expenditure was on sales values.

The speaker mentioned that initial advertising expenditure on a new line is usually greater and more effective than that following. In putting such expenditure in suspense, care should be taken that the portion carried over to future years is likely to be justified by results. He concluded his paper by referring to the need for budgeting and keeping within budgeted figures authorized at appropriate level, and showed how close co-operation was necessary between advertising, accounting, and costing departments.

Take-over Bids

In a paper entitled 'Take-over bids', given by Mr K. Buckley Edwards, Barrister-at-Law, on Friday morning, the author considered the many advantages and disadvantages of take-overs and future trends and prospects for bidders.

Apart from dealing with the law relating to the subject, Mr Edwards discussed the respective domains of mergers and take-overs and the characteristics which are common to both. He pointed out that when the economy is depressed, defensive mergers achieve economies of scale more quickly and at less cost than competitive elimination, while expansive mergers are the indubitable and often ubiquitous sign of a buoyant economy. He referred to the many expansive mergers which have taken place in recent years, through the medium of industrial holding companies which are currently enjoying much popularity with investors by reason of their diversification of interests and growth prospects.

He went on to say that take-over bids proper (though closely related to mergers) are almost invariably made for companies whose shares are quoted on a stock exchange at less than their true assets value, the bidders aim being to put the acquired company's assets to better economic – and more profitable – use than hitherto, by the application of their own proven expertise.

Summer School Dinner

On Friday evening, the summer school dinner was held in Hall, with the President of the Institute occupying the chair.

The toast of 'The University and City of Cambridge' was proposed by Mr E. B. Bishop, F.C.W.A., A.C.I.S., and responses were made by Captain C. R. Benstead, M.C., M.A., R.N.(Retd.), on behalf of the University, and by Councillor L. D. V. Wordingham, Deputy Mayor of Cambridge, on behalf of the City.

Mr F. J. Willett, Department of Engineering, University of Cambridge, proposed the toast of 'The Institute of Cost and Works Accountants' and the President of the Institute replied.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES
(7 & 8 Eliz. 2)

Chapter 56: Rights of Light Act, 1959

An Act to amend the law relating to rights of light, and for purposes connected therewith.

Price 9d net. *July 16th, 1959.*

Chapter 57: Street Offences Act, 1959

An Act to make, as respects England and Wales, further provision against loitering or soliciting in public places for the purpose of prostitution, and for the punishment of those guilty of certain offences in connection with refreshment houses and those who live on the earnings of or control prostitutes.

Price 6d net. *July 16th, 1959.*

Chapter 58: Finance Act, 1959

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance.

Price 2s 6d net. *July 29th, 1959.*

Chapter 59: Appropriation Act, 1959

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on the thirty-first day of March, one thousand nine hundred and sixty, and to appropriate the supplies granted in this Session of Parliament.

Price 3s net. *July 29th, 1959.*

Chapter 60: Education Act, 1959

An Act to enlarge the powers of the Minister of Education to make contributions, grants and loans in respect of aided schools and special agreement schools, and for purposes connected therewith.

Price 4d net. *July 29th, 1959.*

Chapter 61: National Galleries of Scotland Act, 1959

An Act to authorize the payment under Section seven of the National Galleries of Scotland Act, 1906, out of moneys provided by Parliament of expenditure incurred by the Board of Trustees for the National Galleries of Scotland in the performance of such functions, in addition to the management of the National Gallery and the National Portrait Gallery, as are conferred on them by or under that Act.

Price 3d net. *July 29th, 1959.*

Chapter 62: New Towns Act, 1959

An Act to make, as respects England and Wales, new provision in place of Section fifteen of the New Towns Act, 1946, as to the disposal of the undertakings of development corporations and other matters arising when a development corporation has achieved or substantially achieved the purposes for which it is established; to amend the law relating to development corporations by increasing the limit on the advances which may be made to them under subsection (1) of Section twelve of that Act, by providing for housing subsidies to be wholly or partly withheld in respect of dwellings disposed of by them, and by authorizing them to make contributions towards the provision of amenities; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *July 29th, 1959.*

Chapter 63: Export Guarantees Act, 1959

An Act to increase the amount of the liabilities which may be undertaken by the Board of Trade in respect of guarantees under Sections one and two of the Export Guarantees Act, 1949.

Price 3d net. *July 29th, 1959.*

Chapter 64: Landlord and Tenant (Furniture and Fittings) Act, 1959

An Act further to regulate the requiring of payments for furniture, fittings or other articles as a condition of the grant, renewal, continuance or assignment of tenancies of dwellings.

Price 4d net. *July 29th, 1959.*

Chapter 65: Fatal Accidents Act, 1959

An Act to amend the Fatal Accidents Act, 1846, and the Carriage by Air Act, 1932, by enlarging the class of persons for whose benefit an action may be brought thereunder, and to provide for certain benefits to be left out of account in assessing damages in such an action.

Price 4d net. *July 29th, 1959.*

Chapter 66: Obscene Publications Act, 1959

An Act to amend the law relating to the publication of obscene matter; to provide for the protection of literature; and to strengthen the law concerning pornography.

Price 6d net. *July 29th, 1959.*

Chapter 67: Factories Act, 1959

An Act to amend the Factories Acts, 1937 and 1948, and make further provision as to the health, safety and welfare of persons employed in factories or in premises or operations to which those Acts apply; to revoke Regulation 59 of the Defence (General) Regulations, 1939; and for connected purposes.

Price 1s 3d net. *July 29th, 1959.*

Chapter 68: Statute Law Revision Act, 1959

An Act to revise the statute law by repealing obsolete, spent, unnecessary or superseded enactments.

Price 9d net. *July 29th, 1959.*

Notes and Notices

PERSONAL

MR S. J. BIRKETT, F.C.A., announces that he has taken into partnership his son, Mr M. J. BIRKETT, A.C.A. They are in practice at 6 Hanover Square, London, W1, as BIRKETT, WESSON & Co, Chartered Accountants (incorporating BIRKETT, BOUGHEY & Co and WALTER WESSON & Co).

MESSRS LOWE, BINGHAM & MATTHEWS, Chartered Accountants, of Alexandra House, Hong Kong, announce that they have admitted into partnership as from October 1st, 1959, Mr L. W. GORDON, C.A., and Mr E. S. RUSSELL, A.C.A.(AUST.), both of whom have been with the firm for a number of years. The name of the firm remains unchanged.

MESSRS H. R. HORNE & PARTNERS, Chartered Accountants, of 42 Friar Gate, Derby, announce that on September 30th, 1959, Mr HAROLD REGINALD HORNE, F.C.A., retired from the partnership and from public practice. As from October 1st, 1959, Mr WILLIAM ERIC MASON, F.C.A., will continue to carry on the practice under the same name, and on that date was joined in partnership by Mr ERNEST WILLIAMS, A.C.A., and Mr ROBERT CYRIL RAVENSDALE, A.C.A.

MESSRS H. L. THURGOOD & Co, Chartered Accountants, of 16 St Albans Road, Watford, Herts, and at London announce that Mr DOUGLAS C. THURGOOD, A.C.A., has been admitted to partnership as from October 1st, 1959. The name of the firm remains unchanged.

MESSRS BEGBIE, ROBINSON & Co, Chartered Accountants, of 3 Raymond Buildings, Gray's Inn, London, WC1, and at Tonbridge and Watford, announce that Mr DOUGLAS C. THURGOOD, A.C.A., has been admitted to partnership as from October 1st, 1959. The name of the firm remains unchanged.

MESSRS LAURENCE B. BUTTERS & Co, Chartered Accountants, of 98 Albany Street, London, NW1, announce that they have taken additional offices at 227 Holland Park Avenue, London, W11, which will now be their principal office.

MESSRS LAMBART SLADEN & Co, Chartered Accountants, of 56 Buckingham Gate, London, SW1, regret to announce the death of Mr K. R. L. SLADEN, F.C.A., which occurred suddenly on September 18th. The practice will be carried on by Mr J. JEFFREY COOK, A.C.A., who has worked closely with Mr SLADEN for the past seven years.

MESSRS MELLORS, BASDEN & Co, Chartered Accountants, of Portland House, 73 Basinghall Street, London, EC2, announce that as from October 1st, 1959, they have taken into partnership Mr EDWARD THOMAS LEWIS, A.C.A., who has been a member of their staff for some years. The style of the firm remains unchanged.

MESSRS SOWERBY & RUSHFORTH, of 3 Parliament Street, Hull, announce that owing to ill health, Mr W. SOWERBY has retired from the firm as from September 30th, 1959. From that date, Mr ALAN GOOCH, A.C.A., has been taken into partnership. The style of the firm remains unchanged.

MESSRS BREWSTER & BREWSTER, Chartered Accountants, of Upton Chambers, 12 Upton Road, Watford, and 2 Norfolk Street, Strand, WC2, announce that as from October 1st, 1959, they have taken into partnership Mr K. A. MONOD, A.C.A., who served his articles with them and who recently rejoined their staff. The style of the firm remains unchanged.

MESSRS WELLS & PARTNERS, Chartered Accountants, of Eagle House, Jermyn Street, London, SW1 (and also at Hounslow and Twickenham), announce that as from October 1st, 1959, they have taken into partnership Mr T. A. MOODIE, F.C.A. The style of the firm remains unchanged.

MESSRS MOODIE, YOUNG & Co, Chartered Accountants, of Eagle House, Jermyn Street, London, SW1, announce that as from October 1st, 1959, they have taken into partnership Mr R. L. WELLS, F.C.A., Mr V. C. MANOLESCUE, F.C.A., Mr J. R. PULLAN, F.C.A., and Mr P. S. TANSWELL, F.C.A. The style of the firm remains unchanged.

MESSRS MARSHALL HURST & Co, Chartered Accountants, of Eagle House, Jermyn Street, London, SW1 (and also at Twickenham), announce that as from October 1st, 1959, they have taken into partnership Mr T. A. MOODIE, F.C.A. The style of the firm remains unchanged.

MESSRS MIDGLEY, SNELLING & Co, Chartered Accountants, of Ibex House, Minories, London, EC3, announce that as from October 1st, 1959, they have taken into partnership Mr LESLIE RICHARD TRILL, F.C.A., who was associated with the firm for a number of years prior to 1951.

MESSRS PENFOLD, CHAMP & MEYLER, Chartered Accountants, of 2 Marlborough Place, Brighton, 1, announce that they have admitted into partnership as from October 1st, 1959, Mr DEREK GEORGE SCUTT, A.C.A., who served his articles with the firm. The style of the firm remains unchanged.

MESSRS BOOTH, ANDERSON & Co, Chartered Accountants, of 2–3 Norfolk Street, London, WC2, announce that they have admitted into partnership in their London office on October 1st, 1959, Mr JACK CLIFFORD HARRIS, C.A. The name of the firm remains unchanged.

MESSRS WHINNEY, SMITH & WHINNEY, Chartered Accountants, of 4B Frederick's Place, Old Jewry, London, EC2, announce that as from October 1st, 1959, they have admitted to partnership Mr PETER GODFREY, A.C.A., and Mr JOHN A. P. WHINNEY, A.C.A., who have been members of the staff for some years. Mr WHINNEY, who is the son of Mr D. H. WHINNEY, served his articles with the firm.

MESSRS VINEY, PRICE & GOODYEAR, Chartered Accountants, of Empire House, St Martin's-le-Grand, London, EC1, announce that Mr ALAN HARRISON PENNEY, B.A., B.COM., F.C.A., retired from the partnership on September 30th, 1959, after an association with the firm extending over forty-one years. Mr PENNEY will continue to hold a number of commercial appointments.

PROFESSIONAL NOTES

Mr F. C. T. Lane, F.C.A., has been co-opted to the board of the Telephone Manufacturing Co Ltd.

Mr A. A. Moller, M.C., F.C.A., a director of The 'Sanitas' Trust Ltd, has been appointed a director of the parent company, 'Sanitas' Co Ltd.

Mr S. Vernon Lancaster, T.D., F.C.A., vice-chairman of Midland Employers' Mutual Assurance Ltd, has joined the board of Eagle Star Insurance Co Ltd following the merging of the two companies.

Mr B. A. C. Whitmee, A.C.A., has been appointed a director of General Consolidated Investment Trust Ltd.

OBITUARY

Mr Robert Bell, F.C.A.

We have learned with regret of the death last Saturday at his home in Belfast, of Mr Robert Bell, F.C.A., senior partner in the firms of Martin Shaw, Leslie & Shaw, and James Boyd & Co, of Belfast.

Mr Bell, who was aged 69, became a member of the Council of The Institute of Chartered Accountants in Ireland following the integration scheme with the Society of Incorporated Accountants and was a former council member of the Society.

He started his career in accountancy with the firm of Dowdall & Shaw and joined the staff of Martin Shaw, Leslie & Shaw in 1910, becoming senior partner in 1949. He became a member of the Society of Incorporated Accountants in 1916.

THE READING AND DISTRICT GROUP OF CHARTERED ACCOUNTANTS

The annual general meeting of the Reading and District Group of Chartered Accountants will be held on October 22nd at The Berkshire Club, Blagrave Street, Reading, at 6.45 p.m., and will be followed by a talk by Mr E. K. Wright, M.A., F.C.A.

BIRMINGHAM AND DISTRICT CHARTERED ACCOUNTANTS' GOLFING SOCIETY

A very successful autumn meeting was held by the Birmingham and District Chartered Accountants' Golfing Society at Little Aston on September 10th, when Mr D. Pepper, an articled clerk, won the Society's Cup for Medal Play.

The afternoon Greensome Competition was won by Messrs R. R. Gelling and T. M. Barlow.

Leading scores were:

Medal Round		
D. Pepper	75—3	72
J. W. Henn	92—18	74
R. R. Gelling	87—12	75
A. Westwood	95—20	75
D. Robson	91—15	76
L. F. Jones	95—16	79
G. Richards	93—11	82
B. Smallman	94—12	82
Greensomes		
R. R. Gelling and T. M. Barlow	83—13	70
G. R. Watson and E. B. Whitehouse	90—19	71
J. W. Henn and A. Westwood	92—19	73
H. D. Radford and G. Richards	88—14	74
D. Kelley and D. Pepper	76—1½	74½
R. V. Newland and J. L. Smith	95—19½	75½
W. N. Dudley-Evans and S. V. Lancaster	85—7½	77½
B. Smallman and W. Parker	94—15	79
S. T. Farmiloe and W. S. Hindle	91—11½	79½
B. Walker and A. E. P. Turner	100—19	81
J. T. Connor and D. Robson	99—15½	83½

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The 104th meeting of the Taxation and Research Committee was held at the Institute on Thursday, September 17th, 1959, at 2 p.m.

Present: Mr E. N. Macdonald, D.F.C. (in the chair); Messrs R. D. R. Bateman, M.B.E., C. V. Best, R. A. Chermside, J. B. L. Clark, C.B.E., L. H. Clark, H. O. H. Coulson, S. M. Duncan, W. F. Edwards, A. R. English, F. J. Eves, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., W. S. Hayes, J. S. F. Hill, G. N. Hunter, R. O. A. Keel, G. P. Morgan-Jones, A. H. Proud, J. D. Reekie, D. W. Robertson, B. D. Shaw, H. C. Shaw, H. Eden Smith, D. E. T. Tanfield, T. S. Welch, E. K. Wright and G. H. Yarnell, with the Secretary.

Mr E. Kenneth Wright, M.A., F.C.A.

The Committee recorded its great appreciation of the work of Mr E. K. Wright as a member of the Committee since 1953 and as chairman of the Taxation Sub-Committee and a member of a number of *ad hoc* and drafting sub-committees.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees.

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc *Sub-Committees*

Progress reports were received from three special sub-committees.

Future Meetings

The next meeting of the Committee was arranged for Thursday, October 22nd, 1959, and the following are the normal dates for other meetings during 1959–60:

Thursday, December 10th, 1959.
„ February 18th, 1960.
„ April 21st, 1960.
„ June 16th, 1960.
„ September 15th, 1960.
„ October 20th, 1960.
„ December 15th, 1960.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m. on Monday next, October 5th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Matthew, Chapter 4, verses 1 to 10 (our Lord's example of obedience to God).

TAXATION DISCUSSION GROUP

The first meeting of the 1959–60 session of the Taxation Discussion Group of the London and District Society of Chartered Accountants will be held at *The Cheshire Cheese*, 10 Surrey Street, London, WC2 (entrance in Howard Street), next Wednesday, October 7th, at 6 p.m. for 6.15 p.m.

The honorary secretary of the group, Mr W. J. Bailey, A.C.A., c/o Messrs Futcher, Head, Smith & Co, 54 Old Broad Street, London, EC2, will welcome inquiries from prospective new members. The annual subscription is 10*s*.

THE INSTITUTE OF INTERNAL AUDITORS

London Chapter

Meetings of the London Chapter of the Institute of Internal Auditors will be held at *The Kingsley Hotel*, Bloomsbury Way, London, WC1, as follows:

Tuesday next, October 7th, at 12.30 p.m.: Address: 'Prerequisites for efficiency in a sales organization', by Mr Adam Johnstone, chairman, Sales Audits Limited.

November 4th, at 6.30 p.m.: Address: 'The audit of a traffic department', by Mr J. C. Walker, H. J. Heinz Co Ltd.

Information about membership can be obtained from the secretary, Mr E. N. Judge, c/o South Eastern Electricity Board, Queen's Gardens, Hove, 3, Sussex.

Manchester Chapter

A meeting of the Manchester Chapter will be held on Tuesday, October 20th, at 7 p.m. in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, when there will be a discussion on prepared questions submitted to a panel comprising four members of the Chapter.

Inquiries regarding membership and activities of the Chapter should be addressed to Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Ltd, Shell B.P. House, 7 Oxford Road, Manchester, 1.

Birmingham Chapter

The meeting of the Birmingham Chapter originally fixed for October 8th has, in view of the General Election, been postponed until Thursday, October 22nd. On that occasion, Mr P. A. Nutt, of the General Electric Co Ltd, will speak on 'Internal audit and the control of direct materials'. The meeting will be held at *The Cambridge Inn*, Cambridge Street, at 6.30 p.m., preceded by tea at 6 p.m.

An invitation is extended to interested non-members. The Chapter secretary is Mr G. T. L. Judson, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

ORGANIZATION AND METHODS CONFERENCE

A one-day conference on the function of 'Organization and methods' as a practical aid to efficiency in the office will be held by the Central London Productivity Association on November 12th. The conference will be opened by Sir Miles Thomas, D.F.C., chairman of Monsanto Chemicals Ltd, and three papers will be presented as follows:

'Optimum use of personnel and consumable office materials', by Mr A. A. Hood, Monsanto Chemicals Ltd.

'A case study in office cost reduction', by Mr H. Hunt, Personnel Administration Ltd.

'Filing and recording', by Mr J. L. Jolley, J. L. Jolley & Partners Ltd.

A film entitled 'Stephen Banner – Supervisor' will also be shown and the proceedings will conclude with an open forum.

The conference will take place in the Council Chamber, Federation of British Industries, 21 Tothill Street, London, SW1, and applications for tickets (15s each, including morning coffee and tea) should be addressed to Mr J. F. Daly, National Provincial Bank Ltd, 61 Victoria Street, London, SW1.

NATIONAL CONFERENCE OF BRITISH INSTITUTE OF MANAGEMENT

The fourteenth national conference of the British Institute of Management will be held in Harrogate from November 17th–19th. The opening address will be given by the United States Ambassador, Mr John Hay Whitney.

A wide variety of sectional meetings will include addresses on 'Expansion', by Mr Brian A. Maynard, M.A., F.C.A.; 'Employees shareholding', by the Right Hon. the Lord Shackleton of Burley, of John Lewis & Co Ltd; 'Private enterprise in a "family" of firms', by Mr Peter Ryder, M.B.E., managing director of Thomas Tilling Ltd; and 'Resistance to change in a large-scale organization', by Mr C. T. Brunner, a director of Shell-Mex B.P. Ltd.

Informal discussion groups will be arranged for those wishing to discuss further the subjects treated at the sectional meetings and the programme will include a visit to the Terylene Laboratories of I.C.I. Ltd, Fibres Division, Harrogate, and to the Army Apprentice School, Harrogate. As an alternative to the discussion group meetings a programme of industrial films will be shown. The conference will conclude with a dinner at which Lord Baillieu, president of the Dunlop Rubber Co Ltd, will be the speaker.

The fee for the conference, excluding accommodation and the concluding dinner, is £12 for members of the British Institute of Management and £16 to non-members. Further details, together with application forms, may be obtained from the Conference Secretary, British Institute of Management, 80 Fetter Lane, London, EC4.

ASSOCIATION OF INVESTMENT CLUBS

First Conference at Manchester

The first conference of the Association of Investment Clubs Ltd was held at *The Queen's Hotel*, Manchester, last Saturday.

Preparations for the function had been concluded before the announcement of the date of the forthcoming General Election. This resulted in two company director Members of Parliament cancelling their plans to attend: one, Mr Basil de Ferranti, had agreed to act as conference president; the second, Mr Edward du Cann, managing director of the Unicorn Trust Ltd, was to have addressed the conference on 'Choosing investments for the small investor'. None the less, the organizers of the conference were able to find replacements, and there was an adequate attendance.

Sir William Cocker, O.B.E., J.P., LL.D., M.A., managing director of the Cocker Chemical Co Ltd, who is also chairman of the National Savings Movement for the north-west of England, acted as conference president and officially welcomed the visitors. He stressed that the investment club movement, as such, was a form of saving and consequently deserved to be encouraged. He considered that the general public was becoming more investment minded.

Mr William A. Lowe, A.C.A., then addressed the conference on 'The function and purpose of the Association of Investment Clubs Ltd'. Mr Lowe first sketched the growth of the investment club movement

in the U.S.A. and stated that the present total there of around 8,000 was increasing. Returning to the movement in this country, he stated that since the Association had been formed over 250 inquiries had been received. Referring to taxation he said that no decision as to the liability of investment clubs' profits had been given by the Inland Revenue, but that the savings element of the movement, as opposed to the speculative one, was stressed.

Mr G. Philip Dews, A.C.A., a member of the Liverpool Stock Exchange, spoke on 'Investment club policy' and emphasized that in his opinion investment in large companies was wise as they had the necessary capital to expand if the need should arise. He stated that the investment of a set sum every month in ordinary shares, regardless of general market conditions, tended to give a low average cost, and he advocated the purchase of growth stocks and investment in different fields.

During the afternoon the London Stock Exchange's film *My Word is My Bond* was shown, and was followed by further addresses on 'Unit trusts', by Commander Wilson, of the Unit Trust of Bank and Insurance Shares, and 'Shares and you', by Mr Arthur Owen, secretary of the Liverpool Stock Exchange.

A point which emerged during one of the discussions was that investment clubs could be regarded as social and educational, apart from merely financial, as they afforded an opportunity for investors to meet at regular intervals.

HOUSING GRANTS

The Ministry of Housing and Local Government has issued a booklet entitled *New grants for better homes*[1] which explains how grants of up to £155 can be claimed from local councils towards the cost of installing certain standard amenities in premises built before 1945. The booklet also gives details of grants of up to £400 which are available at the discretion of the local council for bringing houses up to a higher standard.

WINTER SPORTS FOR STUDENTS

Mr D. R. Waters, a member of the London Chartered Accountant Students' Society committee, who has organized several successful continental holiday parties during the past two years, is now arranging a two-week winter sports holiday for a limited number of students and their friends at Lech (4,700 feet) in the Arlberg region of the Austrian Alps.

The party will leave on January 3rd and return on January 17th, travelling by the 'Snowsports Special'. The cost, including second-class travel, for twelve nights at Lech with full board, will be £32.

Inquiries from interested students should be sent to Mr D. R. Waters, 85 Grove End Gardens, St John's Wood, London, NW8.

[1] H.M.S.O. 1*s* 6*d* net.

SEVENTY-FIVE YEARS AGO

FROM The Accountant OF OCTOBER 4TH, 1884

A Weekly Note

The correspondence that has lately appeared in the "*Times*" with regard to Building Societies draws attention to a serious subject. There is no doubt that these institutions have outgrown their original design, which was to enable anyone, but more especially small tradespeople, to build a house for themselves, borrowing the money with which to do so from one of these societies. Instead of paying rent to a landlord the rent was paid to the club in the form of subscriptions, and at the end of about 14 years the house belonged to the man who had built it, or who had bought it as the case might be. That intention was laudable, and one with which no fault could be found. Like all human institutions, however, the Building Society has gone astray, and now instead of being a benefit to the community it is rather the other way. The facility afforded by these societies to borrow money has led to a considerable over-purchase of property by a class that cannot afford to wait in order to tide over a bad time, and in cases where this property, mostly cottage property, has been empty for any considerable period and the subscriptions and fines payable have not been forthcoming to the society, something like a foreclosure has taken place. These various Building Societies are now saddled with property that is not in many cases worth half what it was originally sold for, and loss and consequent disaster seems hanging over their heads. "A Lancashire Solicitor" has called attention to this state of affairs, and suggests the appointment of a special commission to enquire into this subject. Whether this is the best way of meeting the difficulty we do not quite see, but that there should be some check over societies which in the aggregate owe millions of money, mostly borrowed from the lower middle class, nobody with a reasoning mind can doubt.

THE PROFESSIONAL CLASSES AID COUNCIL

The report of the Professional Classes Aid Council for the year ended March 31st, 1959, records that the total available income for the year amounted to £22,682 compared with £19,072 in the preceding year. The total expenditure rose by £1,573 above last year's figure of £21,157 and comprised £16,802 for relief of all kinds, £4,388 for administration costs, and £1,540 for other expenses including appeals and publicity, rates and property repairs.

Three hundred and seventy-seven families received

financial assistance during the year. In addition to general assistance given in cases of distress, grants were made for the education of children and training of students and for additional help in the cases of elderly and infirm people.

The Council is composed of representatives of nearly all the professional bodies and it works in close association with their benevolent funds and other welfare institutions. The Institute of Chartered Accountants in England and Wales is represented on the Council by Mr J. A. Allen, F.C.A., and The Association of Certified and Corporate Accountants by Mr S. C. Jones, F.A.C.C.A. The address of the Council is 20 Campden Hill Square, London, W8.

ECONOMIC CONDITIONS IN CANADA

A new survey in the 1959 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation has recently been issued covering Canada. The booklet is obtainable from H.M. Stationery Office, price 2*s* 6*d*.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Committee

The vacancy on the Committee caused by the resignation of Mr B. M. O'Regan has now been filled by Mr H. J. Atkinson, B.A.

Education and Training

Mr W. E. Parker, C.B.E., F.C.A., President of the Society and chairman of the Institute's Committee on Education and Training for the Profession, is to meet four or five members of the Society and representatives of the Union of Chartered Accountant Students' Societies in November. The representatives of the Society will all have read the letters received from members on this subject.

Union of Chartered Accountant Students' Societies

This year the London Students' Society is to be host to the Union for its annual conference in December. At this conference delegates from more than twenty students' societies will meet to debate questions of common interest and to collate matters for discussion with members of the Council of the Institute.

Library

Mr K. Brooks has given twenty-two *Students Telephones* to the library. This is a most welcome gift and will help to meet the continuing heavy demand for a series which is out of print.

The Society's library would like to buy one or more copies of *Methods of Amalgamations* etc. by Cutforth, now out of print and difficult to obtain through the usual sources; any information would be a great help in meeting the demand.

Activities

Groups of members have met for play-reading and theatre parties; any member interested in these activities should contact Miss Large at the library for details.

Members have also seen a demonstration of accounting machines and visited one of the 'big five' banks.

President's Meeting

As announced in *The Accountant* of August 29th, the guest speaker at the President's Meeting in Guildhall next Monday will be Viscount Montgomery of Alamein. The Lord Mayor hopes to be present and the meeting will be under the chairmanship of Mr W. E. Parker, C.B.E., F.C.A. As a large attendance is anticipated, admission will be by ticket only.

Next Week's Meetings

The following meetings will be held during next week:

Monday, whole-day course lectures on: 'The taxation of husbands and wives', by Mr Eric C. Meade, A.C.A.; 'The study of taxation', by Mr C. H. Kohler, F.C.A.; and a lecture, film and demonstration of punched-card accounting.

5 p.m. in Guildhall: President's Meeting; address by Viscount Montgomery of Alamein, K.G., K.C.B., D.S.O. The Lord Mayor hopes to be present. *Chairman:* Mr W. E. Parker, C.B.E., F.C.A., President of Society.

Tuesday, Visit to Fords Motor Works (limited number).

5.30 p.m. at the Institute: introductory lecture for mechanized accounting course by Mr Dudley W. Hooper, M.A., A.C.A., chief organizing accountant, National Coal Board.

Wednesday, Lecture and demonstration of Kalamazoo accounting methods (limited number).

7 p.m. at Reading: lecture on 'Branch accounts', by Mr C. J. Russell, A.C.A.

Thursday, 5.15 p.m. at the Institute: introductory course lecture on 'The chartered accountant's profession', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Society.

Friday, 5.15 p.m. at the Institute: introductory course lectures on 'The fundamentals of business', by Mr R. J. Carter, B.COM., F.C.A., and 'The English judicial system', by Mr P. W. Medd, Barrister-at-Law.

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

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CONTENTS

Listing Companies by Size

THERE have been political over-tones in the question as to which are the largest public companies in this country. The only systematic attempt to measure 'bigness' in this context was carried out by the National Institute of Economic and Social Research in 1956 when it published a pamphlet called *Classified List of Large Companies Engaged in British Industry.*[1] There were 512 public companies listed with net assets over £2·5 million in 1953-54, and there has been a good deal of misunderstanding since this list was published as to what it was attempting to do and how it had come about. The list was not in fact an independent research undertaking but the by-product of a wider survey into the sources and uses of funds of public companies. The list was published because it was thought that the categories would be of general interest.

The investigation was essentially of limited usefulness since its standard of measurement was net assets. The advantage of using such a measure is that the figures are readily obtainable from the published accounts of public companies. There are, of course, a number of other standards which can be used to measure size including gross profit, numbers employed and sales turnover. It would be expected that each of these different standards would have produced quite different answers. For example, given a certain level of net assets even within the same industry and in companies operating under very similar conditions, the size of a company will depend not only on the sum of the net assets but also on the quality of the management and the use to which the assets are put. As between different industries and different types of economic activity the variation in size as measured by criteria other than net assets will vary even more.

Early in 1959, the Institute of Economic Affairs decided to carry out a piece of research based on the list published by the N.I.E.S.S. It decided to examine the organization and scale of operations of the 512 companies originally listed and to test the results obtained by using other yardsticks as well as net assets. A questionnaire was sent out in May of this year to those of the 512 concerns which retained independent existence, asking for up-to-date information on their ownership, control, organization, employment, payroll, trading and competition. Fairly complete replies were received from 149 companies.

A preliminary analysis of the material has been published in advance of a more full report which is to be available in November. Certain tentative conclusions have been drawn so far. The first of

[1] See *The Accountant*, April 14th, 1956, page 393.

these is that the rate of growth of assets of companies is such that a list based only on net assets valuation very quickly becomes out of date. A list on such a standard should be revised from year to year. The study has already confirmed that assets are used with widely varying degrees of effectiveness and that the quality of management and the opportunities which arise for companies in varying circumstances are important determinants of size. A word of warning is also given about the connection, or lack of connection, between size and power. For example, a small company may be in a virtually monopoly position in a comparatively small industry and yet have a major influence on the fortunes of big industries and much bigger companies.

Some interesting information is coming out of the question of management and ownership. According to the returns, while some boards consist of both part-time and full-time directors, nearly three-quarters of the board appointments are full-time. Nine out of ten full-time directors had worked for the company for five years or more before joining the board. As regards ownership, directors collectively hold less than 5 per cent of the equity while small shareholders remain numerically dominant. Half the companies have more shareholders than employees. Insurance companies and pension funds between them hold over 20 per cent of the ordinary shares and in most cases individuals own well over half. These findings are made tentative to some extent, of course, by the widespread use of 'nominee' holdings. Fringe benefits to employees vary greatly between companies but there seems to be some correlation between high earnings and high expenditure on such benefits.

No one is more aware than the accountant of the pitfalls which await those who want to measure 'bigness' among companies. It is rather like trying to find out how high is 'up'. Definitions and contexts are all-important. Two conclusions are worth drawing on this kind of work. First, listing companies by size is a worthwhile and intelligible activity only if 'size' is clearly defined and the list is not taken out of its context and used for purposes for which it is entirely unsuitable and, indeed, misleading. Second, the research involved may divulge a good deal of fringe information which is quite as valuable, and possibly more so, than the main object of the undertaking. 'Bigness' is only one aspect, and not by any means the most important one, of the physiology of company structure.

National Income Over £20,000 Million

IN the last week or two we have all been assured that 'we have never had it better' or that we can go on to a higher standard of living with increased benefits for all, without increases in taxation. Such assertions have been connected with the need and the capacity for the economy of this country to go on expanding. It is the philosophy of a high and rapidly expanding national income.

Perhaps by a coincidence, the national income (gross national product) in 1958 happened to be £20,130 million – the first time that it has gone through the figure of £20,000 million. This was an increase for the year of about 3½ per cent and no mean achievement in a year of recession. Last year prices rose by 2 per cent and the value of increases in stock was much less than in recent years. In consequence, the volume of goods and services fell by a fraction of 1 per cent. A full analysis is now available in a Blue Book[1] published last Saturday.

When the total figure is broken down it is apparent that most of the increase in the year viewed from the point of view of the share of the national income going to different sections of the community, was recorded in income from employment while gross trading profits of companies actually declined slightly. The gross trading surpluses of public corporations was slightly higher and so also was net income from abroad. Looked at from the point of view of personal expenditure and income, wages increased in 1958 by only 2 per cent while salaries went up by as much as 6 per cent. The wage increase, of course, reflects the more cautious policy of the trade unions last year (which was a year of recession). Indeed, the absolute increase

[1] *National Income and Expenditure, 1959*. H.M.S.O. 6s net.

in wages over the year was the smallest since the war. To judge from the statistics, in 1958 the increase in employers' contributions for national insurance and health were nearly as large in absolute terms as the increase in wages. Over the year, professional incomes increased very slightly and so did those of farmers. A small decline in gross trading profits was not reflected in a reduction in dividends and interest paid by public companies. These were maintained by drawing to a limited extent on tax reserves.

Looking at the gross national product by industry, only one of the major industrial groupings showed a decline. This was transport and communications which fell off in 1958 by about 1 per cent. Mining and quarrying made about the same contribution to the national income as in 1957 (this was due to the stagnant condition of the coal industry) while all other major categories showed a slight increase.

The tables giving the distribution of personal income before and after tax show a continued gradual shift upward in the general level of income. This trend remains particularly noticeable at the lower end of the income scale. For example, to go back no further than 1955, in that year there were 7·8 million incomes between the range of £50 and £250. By 1958 the same range of incomes had only 5·3 million incomes within its brackets. The upward shift continues through the income ranges but tapers off noticeably at the top. In 1955 there were 61,000 incomes over £5,000 a year and in 1958 the figure had increased to only 67,000.

One of the most critical groups of national income statistics is the financing of investment. According to the Blue Book, total investment in 1958 was almost exactly £4,000 million, the figure being almost unchanged on the year. This total was made up of £3,516 million of gross fixed capital formation at home, £50 million of value of physical increase in stocks and work in progress and £438 million of net acquisition of financial assets and net investments abroad. This volume of investment, however, was financed to the accompaniment of a small decline in personal savings. In 1958, savings (before providing for depreciation and stock appreciation and tax, dividend and interest reserves) was £3·98 million. To this has to be added a small amount as provision for stock appreciation. These figures of savings are not surprising. Over the year, life assurance and superannuation schemes were able to record a useful net increase in funds, and during a year when most sections of the economy were experiencing a recession it would be expected that the community as a whole would save slightly less if it maintained its level of consumption – which the public in general certainly insisted in doing unless they were actually unemployed or working considerably less overtime or short time.

The 1958 national income figures reflect the trade cycle in other respects. Other statistics released during the year and in the early part of 1959 showed that consumer expenditure had remained fairly bouyant through most of 1958 and had actually built up to something approaching boom proportions in the closing months of the year. At the same time the level of investment in public corporations and public utilities were also maintained at a fairly high level although investment programmes were curtailed to some extent by the cuts imposed as a crisis measure by the Government in the autumn of 1957.

According to the Blue Book, the level of net fixed capital formation showed a significant increase in the personal sector and the public corporations also showed higher net fixed investment. On the other hand, the level reached by companies and by local authorities (the last being affected by the slowing down in housing schemes) showed significant declines. If net fixed investment is looked at from the point of view of the type of assets which the investment created last year, the figures noticeably followed the trend of the Board of Trade periodic survey figures of capital investment. After adjusting for price changes (the national income figures work from 1954 prices) vehicles, ships and aircraft showed a significant increase on the year but there was a drop in plant and machinery and also in dwellings.

As might be expected in a fairly stagnant year such as 1958, the national income figures show very little change in the value of stocks and work in progress. Last year the increase in the value of these items was only £30 million, the nearest comparable year being 1953 when the increase was £50 million.

Allowable Deductions for Estate Duty

BALANCING CHARGE NOT A 'CONTINGENT LIABILITY'

by A BARRISTER-AT-LAW

IN determining the value of an estate for the purpose of estate duty on the 'open market' basis under Section 7 (5) of the Finance Act, 1894 (as amended by Section 60 (2), Finance (1909–10) Act, 1910), Section 7 (1) of the 1894 Act provides that allowance shall be made for 'debts and incumbrances'.

Under Section 46 of the Finance Act, 1940, and its allied sections, if the deceased at any time transferred property to a company controlled by not more than five persons, within Section 58 of the Act, estate duty is payable on his death in respect of the same proportion of the company's net assets as the aggregate benefits he received, or could have received, from the company in a five-year period preceding his death bore to the aggregate net income of the company during that period. In such event, Section 50 (1) of the 1940 Act substitutes for the 'debts and incumbrances' referred to, an allowance for 'all liabilities of the company'.

All Liabilities of the Company

Section 50 (1) provides as follows:

> 'In determining the value of the estate for the purposes of estate duty, the provisions of subsection (1) of Section 7 of the Finance Act, 1894, as to making allowance for debts and incumbrances shall not have effect as respects any debt or incumbrance to which assets of the company passing on the death by virtue of Section 46 of this Act were liable, but the Commissioners shall make an allowance from the principal value of those assets for all liabilities of the company (computed, as regards liabilities which have not matured at the date of the death by reference to the value thereof at that date, and, as regards contingent liabilities, by reference to such estimation as appears to the Commissioners to be reasonable) other than – (*a*) liabilities in respect of shares in or debentures of the company; and (*b*) liabilities incurred otherwise than for the purposes of the business of the company wholly and exclusively.'

In the case of liabilities which have not matured at the date of death (but will mature later), no criterion of value or rate of discount is provided in the statute and consequently, failing settlement by negotiation with the Commissioners, any dispute will have to be decided by the Court. In the case of contingent liabilities (which may never mature), the Commissioners have power to fix a value. *Dymond's Death Duties*, twelfth edition, page 280, is of opinion that there is no right of appeal from the Commissioners' estimate but *Hanson's Death Duties*, tenth edition, paragraph 1263, thinks that the reasonableness of the Commissioners' estimate can probably be challenged under Section 10 of the Act of 1894.

Section 55 (1) of the 1940 Act prescribes the 'assets basis' of valuation where the deceased had control of the company at any time during the five years ending with his death. Section 55 (2) then states that for the purposes of ascertaining the principal value of the shares or debentures of a company under sub-section (1):

> '(*a*) the net value of the assets of the company shall be taken to be the principal value thereof estimated in accordance with [Section 7 (5) of the Finance Act, 1894], less the like allowance for liabilities of the company as is provided by subsection (1) of Section 50 of this Act in relation to the assets of a company passing on a death by virtue of Section 46 of this Act, *but subject to the modification that allowance shall be made for such a liability as is mentioned in paragraph (b) of that subsection unless it also falls within paragraph (a) thereof*'. (The italics are mine.)

This modification of the terms of Section 50 (1) permits, in the case of valuations under Section 55 (1), the deduction of estate duty charged on the company's assets by Sections 46 and 54 (5) of the Act of 1940 on a prior death, as well as the deduction of incumbrances such as jointures, portions and annuities charged gratuitously. It also permits the deduction of taxes due and owing.

Deduction for Tax Liability

Under Section 50 (1), no deduction for taxes is permissible as taxes are not incurred wholly or exclusively for the purposes of the company's business (*C.I.R. v. Dowdall O'Mahoney & Co Ltd* (31 A.T.C. 126; 33 T.C. 259)), but in official practice a concession is made so that deduction for taxes is on the same footing under both Section 50 (1) and Section 55 (2) of the Act of 1940. *Hanson*, paragraph 1264, states the position in these terms:

'If the deceased died before January 1 in the tax year in which he died, the income tax for which the company is liable under Schedule D in respect of the tax year which includes that January 1, is a liability which has not matured at the deceased's death. Consequently, the deduction allowed is computed by discounting the amount of such tax to the date of death. If the deceased died after January 1, such tax is a matured and certain liability, and the full amount is allowed as a deduction. On the other hand, although the company's Schedule D tax for the tax year following the tax year in which the deceased died is computed on the trading results for the business year in which the deceased died, it is nevertheless not an existing liability at the deceased's death (*Re Duffy, Lakeman v. Attorney-General* [1949] Ch. 28, 35) and cannot be deducted, except as provided by Section 30 (3) of the Finance Act, 1954.'

Reference to Section 30 (3) of the 1954 Act will be made later.

Since Schedule A tax and profits tax (apart from the distribution charge, so far as now applicable) accrue *de die in diem* an apportionment to the date of death is allowed as a deduction. The excess of remuneration owing to officers of the company over what the Commissioners are satisfied is reasonable must be treated as not incurred for the purposes of the business and therefore not deductible. It is understood, too, that no deduction is allowed for payments due from the company for or on account of employees' pensions, on the ground that such liabilities are also not incurred wholly and exclusively for the purposes of the company's business, although it is arguable that if pensions form part of the employees' conditions of service, they are as much incurred for the purposes of the business as are salaries and wages.

Meaning of 'Liabilities'

In *Re Duffy*, Lord Greene, M.R., said that the word 'liabilities' could be used in two senses. In the accountancy sense anything that appeared on the left-hand side of a company's balance sheet might be a liability, whether an actual legal liability or merely a provision for something which might or might not happen in future. But that was not the sense in which the word was used in Section 50 (1) of the Act of 1940. The facts of the case were as follows: the deceased died on June 24th, 1942, possessed of shares in three companies to which Section 55 (1) of the Act of 1940 applied. The date of death was part of the way through the financial years, which were all different, of the three companies. The deceased's executors, in computing under Section 55 the value of his shareholdings for the purposes of estate duty, sought to set off against the companies' profits for the part of the current year which had elapsed at the date of the deceased's death, the prospective income tax liability in respect of those profits which would be borne by the companies in the ensuing year commencing on April 5th following the death, on the ground that such liabilities would be computed by reference to income earned prior to the death. But it was held that 'liabilities' in Section 50 (1) referred to liabilities existing in law at the relevant date, i.e. the date of death, and did not include the anticipated income tax liability which did not exist until the following financial year. Therefore an allowance under Section 50 (1) could not be made.

Deaths after July 30th, 1954

In the case of deaths occurring after July 30th, 1954, Section 30 (3) of the Act of 1954 relaxes the rule established in *Re Duffy*. It provides as follows:

'For the purposes of subsection (1) of Section 50 of the Finance Act, 1940 . . . any liability of the company arising, or which may arise, after the death for taxation on income or profits shall be taken into account as if it were an actual but contingent liability at the date of the death, in so far as the liability or its amount is referable to income or profits accruing before the death, whether then realized or not; and in their estimation of any such liability for taxation charged on income or profits arising after the death the Commissioners . . . shall take into account the extent (if any) to which the last-mentioned income or profits are likely to be insufficient to meet the liability.'

In the case of income tax charged under Cases I and II of Schedule D this provision permits an allowance for tax charged in a year of assessment commencing after the deceased's death only where such tax is computed on the company's profits as shown by its last annual account made up before the death, i.e. in effect, only where the deceased died between the end of the company's business year and the beginning of the ensuing year of assessment. Strictly speaking, no part of the amount of tax computed on the results shown by the company's accounts made up to a date after the deceased's death is referable to profits accruing before the death, inasmuch as tax under Schedule D is charged and computed on a complete year's results and is not apportionable or attributable to the profits of any portion of the year, but in practice the

Commissioners will treat Schedule D as apportionable for the purposes of Section 30 (3) (*Hanson*, paragraph 1529).

Contingent Liabilities

The amount to be allowed for a contingent liability, however, is such as the Commissioners consider to be reasonable, and what they are required to take into account is the extent to which the income or profits of the company in the year of assessment to which the liability relates is likely to be insufficient to meet the liability for the tax charged in that year of assessment, the amount of which will be computed on the profits shown in the company's accounts made up to a date within the preceding year of assessment. *Dymond*, pages 281, 282, states the position in these terms:

> 'This clause [Section 30 (3)] does *not* permit the indiscriminate deduction of Schedule D tax for the next year, computed by reference to the current year: it merely constitutes that tax a "*contingent* liability" for which, under the terms of Section 50 (1), [of the Act of 1940] the Commissioners are to make an allowance "by reference to such estimation as appears to [them] to be reasonable". It is understood that, in the case of an ordinary trading company, and in view of the last part of Section 30 (3), the Commissioners in practice regard the appropriate allowance as *nil*, if the next year's profits are in fact adequate to meet the tax liability computed by reference to the profits for the year current at the date of death; and that, where they are not so adequate, the estimate will be made by reference only to the extent of such inadequacy.'

Section 30 (3), therefore, provides only a limited measure of relief.

Balancing Charges

The position with regard to balancing charges arising after the deceased's death has recently been considered by the Court in *Re Sutherland, Winter and Others v. C.I.R.* ([1959] 2 All E.R. 682)[1]. Actually the point arose in the case of a death before July 30th, 1954, but the same result would obtain if the death had occurred after that date.

The deceased was the owner of shares in a company of which he had control during the five years ending with his death in March 1953. Accordingly, the shares fell to be valued for estate duty purposes in accordance with Sections 50 (1) and 55 of the Act of 1940. The assets of the company included five ships the value of which had been agreed with the Estate Duty Office at £1,150,000. For income tax purposes the cost of the ships was agreed at £847,907. Capital allowances had been received under Part X of the Income Tax Act, 1952, leaving unallowed expenditure (as defined by Section 297 of the Act) of £290,749.

In late 1953 and early 1954, the ships were sold for £1,070,505 and a balancing charge of £548,318 was made under Section 292 of the Act, which resulted in additional income tax and profits tax assessments being made on the company amounting in the aggregate to £370,114 13*s*. The question for determination by the Court was whether, in computing the value of the deceased's shares at the date of his death, any allowance should be made in respect of the additional income tax and profits tax as 'contingent liabilities' within Section 50 (1) of the Act of 1940, as applied by Section 55 (2) (*a*) for the purposes of Section 55 (1) of that Act.

Danckwerts, J., said that the whole question turned on the construction of the words 'contingent liabilities'. At the date of the deceased's death there was clearly no presently existing liability for any balancing charge or the income tax and profits tax liabilities which would result from the balancing charge. But the section referred to liabilities which had not matured at the date of death and to contingent liabilities. Liabilities which had not matured were obviously liabilities which were then binding on the company but which would not become payable until a future date. Contingent liabilities must be different from unmatured liabilities.

His lordship considered various meanings given to the words 'liability' and 'contingent' and said that an event did not seem to him to be less a contingency because, as in the case of the sale of the ships, it was one which was brought into being at the will of the person who would become liable to the balancing charge, and not independently of his will or decision.

Liability to be Estimated at Date of Death

If the liability at the date of the deceased's death *was* a contingent liability, it was not to be measured by the amount of the income tax and profits tax which in fact became assessable on the company by reason of the sale of the ships in 1953–54. It was something which had to be estimated at the testator's death, and presumably without knowledge of the facts of the sale which actually took place (see in this connection the

[1] See *The Accountant*, July 18th, 1959, page 22.

observations of Danckwerts, J., in *Re Holt, Holt v. C.I.R.* (32 A.T.C. 402).

Viewing the matter from the date of the deceased's death, when there might not be a sale of the ships for years or at all, and when the sale price (if there were a future sale) must be quite unknown; and bearing in mind that the continuance of the provisions for balancing charges and the rates of income tax and profits tax were matters dependent on the will of Parliament, the estimation of the prospective liability (if any) must be a matter of the greatest difficulty. Still, his lordship had difficulty in seeing why the matters referred to were not contingencies of one sort or another and why the liability which might arise from them was not a contingent liability.

Nevertheless, the substantial point which remained to be considered was whether he was bound by the construction placed upon the words 'contingent liabilities' by the Court of Appeal in *Re Duffy*. Whilst feeling doubt whether the judgment of Lord Greene, M.R., in that case did not concentrate unduly on the word 'liability' to the exclusion of the qualifying adjective 'contingent', Lord Greene had plainly suggested that the meaning of the words should be limited to a 'conditional event under an existing obligation'. That was a definite construction put by the Court of Appeal on the material section (50 (1)) on which the present case depended and he must treat it as binding on him. Therefore no allowance ought to be made in respect of the additional income tax and profits tax resulting from the balancing charge. It is a hard case and one which, seemingly, might have been decided otherwise in the absence of binding authority.

Operational Auditing

by BRADFORD CADMUS, B.A. (Columbia University)
Managing Director, Institute of Internal Auditors

IN developing the topic of 'operational auditing', it is of interest to review the historical progress of internal auditing and the related development of The Institute of Internal Auditors as background leading to the present-day emphasis on the importance of operational auditing as the field of the present and of the future for the internal auditor.

Development of Internal Auditing

No exact date can be set for the beginnings of internal auditing. The fact is that internal auditing has always existed and now exists in any business where there is a proprietor-employee relationship. If the business has just a single employee, the proprietor will assure himself that the employee follows the policies and procedures that the proprietor has in mind, both in financial transactions and in the way he works. Informally, the proprietor will be unconsciously and continually conducting an internal audit that covers both the financial and the operational fields.

As the business grows in size, scope and number of employees, it becomes increasingly difficult for the proprietor to serve as the internal auditor. Eventually, he reaches the point where he will be primarily concerned with the determination of policy and related procedures, and he will establish an internal audit department as the 'eyes and ears of management' to examine, appraise and report to him on the manner in which policies and procedures are followed and are working in the business. This first delegation of internal auditing responsibility invariably appears in the financial areas of a business, with management retaining the responsibility for the appraisal of policies, procedures and other controls relating to non-financial operations.

Then, as size, scope and number of employees continue to increase, there is a tendency to broaden the assignment of the internal auditor so that he will have responsibility for examining, appraising and reporting on policies, procedures and other controls in all departments of the company. This latter development, in which the internal auditor moves beyond the financial areas of the business, is what is termed operational auditing.

Development of the Institute

The Institute of Internal Auditors came into being in 1941. In that year the publication of the book *Internal Auditing*, by Victor Z. Brink, served as a principal means of bringing together twenty-four men who were the organizers of the Institute. It was the belief of this group that internal auditing was a function of business that had distinct responsibilities and standards, and the possibility of future development along unique lines.

The far-sightedness of this small group has been evidenced in the development of internal auditing

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A paper presented in the course of a European tour at meetings of the United Kingdom chapters of The Institute of Internal Auditors in London, Birmingham, Manchester, Newcastle upon Tyne and Glasgow during September 1959.

and in the growth of the Institute. The development has, of course, come largely through the advances made by members in their companies. The Institute's part has been to serve as a forum in which experiences and ideas could be exchanged, developed and published to all of our members – through informal contact, chapter meetings, conferences and publications.

Although we have no accurate information on the scope of internal auditing practice in past years, I believe it is safe to say that when the Institute was formed internal auditing was concerned almost entirely with financial departments and financial records. Internal auditors' programmes were concerned with such functions as payrolls, vouchers payable, cash and inventories. The concern of the internal auditor was to protect his company against fraud, waste and loss. This continues to be a principal function of our profession.

As the practice and the techniques of the internal audit of financial records developed, many auditors saw that the the examination and verification of after-the-fact accounting records could provide clues to apparent deficiencies in control in the operating departments of their companies. For example, a verification of delinquent accounts with customers might indicate that invoices had not been paid because of some dissatisfaction on the part of customers with products or service. A check of billing to customers might show that excessive back orders were due to deficiencies in production scheduling.


Mr Bradford Cadmus

Following through on these clues led to the broadening of the scope of the work of many internal auditors, to the point that today we find that most internal auditors have been assigned the responsibility of covering many non-financial departments in their programmes. For example, in a survey made by the Institute in 1957, 70 per cent of the reporting companies audited the purchasing department. In the recent survey of the London Chapter, 95 per cent of the reporting companies audited purchasing and 43 per cent audited insurance[1].

This widening of scope has, of course, been promoted by the Institute in meetings, publications and research. It was given formal recognition when the definition of internal auditing was broadened from that of the 1947 statement of responsibilities – which said that 'internal auditing *may* deal with operating matters' – to that of the 1957 statement, which included all operations of the company as the assigned field of the internal auditor.

Now a word as to the international nature of the Institute. Soon after our beginning, membership and interest developed outside of the country of our origin. The eighth chapter of the Institute was organized in Toronto and the tenth in Montreal. These came ahead of such United States cities as Pittsburgh, Boston, St Louis and Dallas. In reviewing our records, we find that Mr J. R. Robinson was the first member in England, joining on December 11th, 1946, and the London Chapter was the twenty-first of our present total of sixty chapters. Another indication of international interest was the inclusion of a session on internal auditing in the programme of the Seventh International Congress of Accountants.

Of our present membership of 4,209, 1,005 are outside of the United States. Of these, 230 are in the United Kingdom, 112 in Scandinavia, 9 in other European locations, 300 in Canada, 194 in Latin America and 160 in Asia. We are grateful and we are proud thus to be a truly international organization.

Now let us turn to our topic – operational auditing.

Nature of Operational Auditing

We live in an age in which some previously clear-cut distinctions have broken down or have disappeared. For example, when I took a course in chemistry there was a definite division between organic and inorganic chemistry. The chemist of today gives little or no recognition to this separation. Similarly, matter and energy were considered to be separate until atomic scientists changed that idea.

In the same way, financial and operational auditing are not – and should not be – separate and distinct types of auditing. To a very considerable degree, the techniques that I propose to describe as applicable to operational auditing apply to internal auditing of any description and in any department of a company. Yet there are certain differences that must be taken into account in the auditor's approach and his work in various departments. From the auditor's standpoint these departments may be divided into two groups – corporate service and operating.

By corporate service departments, I mean departments handling such functions as accounting, treasury, legal, taxes and insurance. To a very large degree, the work of these departments is conditioned by the requirements and the reports of the rest of the business. What will be recorded and reported is based upon decisions, policies and happenings that have originated in other departments. In audits of

[1] See *The Accountant*, April 18th, 1959, at page 456.

corporate service departments, the internal auditor makes a constructive contribution as (1) he makes findings in matters of policy, procedure and reporting which lead to more effective operation of these departments, and (2) as he finds clues in these audits which lead back to the operating departments.

Now, I propose that we centre our attention on all corporate functions other than those which have just been defined as corporate service. To put it positively, let us assume that you are faced with an assignment from management to conduct audits of the purchasing, traffic, production, sales, advertising, engineering and research operations of your company.

The first reaction of one who is not an internal auditor – and possibly of some internal auditors who have concentrated on financial audits – might be to wonder what sort of superman would have the knowledge and background to cover these diverse operations and be able to make a constructive contribution. The answer is simple – the internal auditor is an expert in control, not in operations. Every department of a company has organization, procedures, records, reports and some sort of formal or informal standards by which it appraises its performance. These are the controls, and these controls will be found in some form or other in every operating department. So the internal auditor can apply his knowledge of the techniques and principles of control to any department, just as a man familiar with the techniques of purchasing uses his talents in the purchasing department to buy what is required throughout the company.

Elements of Control

Description of the elements of control will be found in a number of publications. To give the essentials:

(1) *Organizational control* requires that each employee knows his place in the organization and exactly what authority and responsibility have been assigned to him. Additionally, organizational control requires adequate checks and balances with separation between operating responsibility and the accounting for that responsibility.

(2) *Procedures* have the objective of dividing and defining the work to be done into logical, understandable sections that specify the work and responsibility of each employee.

(3) *Records* include accounting and all other records which show what has occurred – as a basis for information and reports.

(4) *Reports* are a major means of management control. Both records and reports must be prompt, accurate, concise and complete. Reports must be
 (i) impartial in presenting a fair picture, and
 (ii) adaptable to administrative use, following the pattern of organizational responsibility.

(5) *Standards of performance* provide the means of judging how what has occurred compares with what was expected or planned. Commonly used standards of performance are budgets, standard costs and comparisons with preceding periods.

The Internal Auditor's Talents

Before we discuss the actual work of audit in the operating department, let us summarize the talents that the internal auditor brings to his task that qualify him to do a profitable and constructive piece of work in his assignment.

(1) His knowledge of the techniques and philosophy of control, which have just been described.

(2) His knowledge of his company. In this respect he will usually be better informed than those with whom he is dealing. Through actual experience in various departments, he will know what is done, how it is done and how it fits into the overall company operations.

(3) His business sense – that sense of proportion which weighs the relative importance of each element of a situation in relation to the welfare of the business as a whole.

(4) His innate curiosity about the 'what', 'why', 'who' and 'how' of each operation. The 'why' is particularly important – and the auditor must be patient and persistent until he is completely satisfied with the answer.

The Internal Auditor's Approach

Let us assume that the internal auditor is making an audit of an operating department for the first time. First, he must sit down with the department head and explain the purpose of his audit. He explains that he is *not* there to pose as an expert in the function of that department. He is there to examine, appraise and report on the controls which govern the work of the department. He is there to learn of any apparent deficiencies or failures of control or other relationships between that department and the other departments of the company. (In this area, he is almost certain to arouse interest, since failings of this sort are very common.)

The next step is to acquire general familiarity with the basic operations and objectives of the department – since he must know in general what the job of the department is in order to examine and appraise the effectiveness of the control structure which is set up to fulfil that responsibility.

Some operating department heads like to throw an aura of mystery about their work, implying that one can begin to understand their work and problems only after years of specific experience. Very often such individuals like to talk – and from their talking, and with a few judicious questions, the auditor can develop enough information to provide the essential background. The auditor must explain, of course, that he is not concerned with becoming an operating expert – he merely wants a general picture of policies, procedures and problems. The executive who gives a straightforward description is fortunately more common, and the auditor need do little but listen and

guide the conversation with an occasional question.

The important objective in this familiarization is to learn how the operations are viewed by the man who runs them. Even when the auditor has a fair knowledge of the operations himself, he should not volunteer it, since this will defeat the objective of learning from the operating executive.

In these conversations with the department head it is important to learn the means by which that executive decides how well the department has performed – both in its individual units and as a whole. Some interesting and occasionally surprising answers will be given when the question is asked, 'How do you decide how good a job John Brown is doing?' In this particular question the auditor is trying to develop the standards of performances that the department applies to its work.

The Operational Audit

The general plan of making an operational audit has been well described in the Institute Research Committee report on *Internal Audit and Control of a Traffic Department*. Rather than to paraphrase, I quote directly from the report:

APPROACH TO AN OPERATIONAL AUDIT

Viewed in its broad aspects, the approach and general plan of an audit of an operating department is the same as an audit of a financial department. The steps by the internal auditor may be summarized as (1) familiarization, (2) verification, (3) evaluation and (4) reporting.

Familiarization. In the first step the internal auditor, through discussions with departmental personnel, acquaints himself with the operating objectives and problems of the department. He then proceeds to learn how these objectives and problems are met and controlled by departmental management.

First comes the organization structure. Here the auditor is interested in learning the assignments of authority and responsibility and the interrelationships with other departments and between subordinate groups within the department.

Next comes the review of the procedures which govern the work of the department. The concern here is to learn the degree to which procedures are definite and complete, so that no 'twilight' zones will lead to oversight or conflict of responsibility.

Written procedures are a necessity in practically all operations. Through them, individual employees know what they have to do – and those directly responsible and others are informed as to the scope of responsibility and the methods of operation. Written procedures establish standards of performance. When a violation occurs, it provides a definite signal that further investigation should be made. Something may be unusual about a particular transaction, or the procedure itself may be incomplete or incorrect.

Verification. Having familiarized himself with the general responsibilities of the operating department and the manner in which the department controls its operations, the internal auditor then proceeds to verification. In this portion of his work, the objective is to learn whether the actual operations and assignment of responsibility follow the plans prescribed by departmental management.

Verification requires that a selected sample of transactions or a selected area of work be examined in detail. The original size of the sample or the area will depend on the judgement of the auditor and will usually be comparatively small. If the original tests indicate that further sampling is desirable to reach a conclusion, then such sampling follows.

In verification, the objective of the internal auditor is fact-finding. He is concerned with learning:

(1) Do the organization structure and assignment of responsibility follow the control plans of departmental management?

(2) Are procedures prescribed by management being followed?

(3) Are the internal controls established by departmental management being enforced?

(4) How are the internal controls co-ordinated with other operating departments?

Evaluation. Having determined what the plans are and how effectively they are being followed, the internal auditor then proceeds to the work of evaluation and appraisal. In this phase, his problems will be:

(1) Do departmental controls conform with company policy? If not, what appears to be the reason?

(2) If there are numerous deviations from established procedure, does the reason lie with the procedures or with other factors?

(3) Do departmental controls automatically reveal to management the out-of-the-ordinary situation that should have attention?

(4) Do departmental controls appear effective in operation?

Reporting. In financial areas, a definite opinion can usually be given as to effectiveness of controls – since ineffective controls will lead to questionable operations or incorrect results.

In operating departments, such opinions are often not possible. To quote from one auditor:

> 'Operational audits have been most successful when the auditor was not in the position of matching his opinion as to the effectiveness of a control or the need for an additional control with the various levels of management responsible for such control. Normally such a position can be avoided by providing, through normal auditing techniques, satisfactory evidence that a control is not effective and should be corrected or that an uncontrolled area should be placed under control. But it is absolutely essential that evidence be developed and produced in support of the auditor's position.'

Following this thought, it becomes evident that the report is primarily a pointing out to departmental and general management how controls are operating – in theory and in practice, both within the operating department and in relation to other departments.

An essential of reporting is that the report be discussed and reviewed in complete detail with the operating department before submission in final form. This review will insure that there is agreement in factual matters and gives the operating department a chance to suggest the course of corrective action that may be indicated by the facts of the report.

Distinction between Operational Auditing and 'O & M'

Because the internal auditor's work in operating departments requires that he become familiar with the problems and the operations of these departments, there is apt to be some confusion as to the responsibility of the internal auditor and of those engaged in organization and methods or operations research work. In actuality, there is no reason for confusion or conflict.

Organization and methods and operations research personnel study the work of an operating department with an objective of developing procedures, reports and other routines and controls to govern the day-to-day work of the department. The internal auditor then appraises the operation of the controls which these other groups have established. He will point out strengths and weaknesses, but he does not establish the controls. That is not his job. This separation of responsibility is expressed in the statement of responsibilities of the internal auditor – 'internal auditors should not develop procedures, prepare records, or engage in any other activity which they normally would be expected to review and appraise'.

Convincing Management

I wish it were possible to describe some sort of sales campaign by which management could be convinced of the benefits of operational auditing. Unfortunately, this cannot be done, since managements and auditing departments are composed of individuals – with individual talents, ideas and preferences. For this reason, the selling job is an individual one in every situation.

As far as the internal auditor is concerned, I can offer certain suggestions:

(1) The internal auditor should prepare himself, through study of his company and of internal auditing material, to do the broad job that is required in operational auditing.

(2) When opportunity offers, the internal auditor should bring to management's attention what other companies have done in the operational auditing field. Institute publications and similar material are one way of doing this.

(3) The internal auditor should do a broad and outstanding job in the field to which he is presently assigned. Then he is apt to find that his field of effort will be broadened. This approach is summed up in a little saying that my mother was fond of: 'The reward of work well done is more work.'

In talking of management I mean executive management and not the managers of operating departments. It is essential that the auditor come into operating departments with the whole-hearted backing of executive management. If he does not have this he had better not start. Once in the departments he should be able to demonstrate to both departmental and executive management that he can perform a constructive service. This usually is the case – *I have no personal knowledge of any situation where there has been a retreat from an operational auditing programme once it has been established.*

Cases of Operational Audit Results

So far we have been talking in general terms; now I will give some specific cases of audit findings which illustrate how these generalities have applied in practice. These cases apply to procurement, construction, traffic, materials control, sales, advertising and royalties.

Procurement

In this case, an internal auditor noticed separate purchase orders for five identical pieces of equipment for use on five construction projects. He was told that the accounting department had requested separate orders, since this would simplify their work order accounting. Consolidating into a single order would have brought a 10 per cent quantity discount. The purchasing department was able to persuade the suppliers to accept a reissued single order.

In another case the internal auditor noticed an order for 'plug draw' tubing. He asked what 'plug draw' was, only to learn that the buyer wasn't quite sure. Investigation developed that this was an obsolete specification. It had not actually been used for some time, even though the manufacturer had continued to assess an extra charge for 'plug draw'. The result was a saving of about £10,000 per year.

Construction

One of our members once told me that he would rather audit a cost-plus construction contract than anything else. His reason was that in these contracts the tendency on the part of the contractor is to charge everything possible to the job. For this reason it is comparatively easy for the auditor to find all sorts of items which do not belong as part of the construction cost.

I will not give specific examples except to say that savings of some £15,000 and more on a large construction job are not unusual. Some of the items where recovery has been made are:

(*a*) Repairs on rented equipment charged to the job instead of to the owner of the equipment.

(*b*) Material re-used from other jobs and charged out as new.

(*c*) Job not given credit for adjustments or savings on such payroll items as compensation insurance.

Traffic

In this case a sales promotion department took the traffic function into its own hands and shipped some display material by railway express – which the sales promotion department assumed would give fastest delivery service. Delivery took three days. Shipment via regular overnight truck would have brought delivery in fifteen hours at less than half the cost.

Materials control

In an internal audit of materials control the auditor noted a charge for returnable containers on suppliers' invoices – but could find no credits for returned containers. He found that the manufacturing operation did not realize that the containers had a returnable value which was much greater than the junk price for which they were being sold. Correction of this situation saved over £2,500 per year.

Sales

Sales and pricing practices are a good field for study, in part because of the propensity of many sales departments to interpret price scales and sales policies in the customer's favour.

In a large company, with a complicated pricing structure, internal auditing of prices charged to customers with established price lists brought to light undercharges of over £100,000 in one year. These differences covered such items as:

(a) charging at carload prices for less than carload orders;
(b) not charging according to established scales for:
  (i) special manufacturing treatment;
  (ii) special shipping arrangements;
  (iii) special formulation.

Advertising

Advertising in many companies is the subject of very large expenditures. Because the sums are so great, control attention of advertising executives is apt to be focused on such major items as the cost of television and radio programmes and newspaper and magazine advertising – with much less thought to such costs as sales promotion materials and expenses, co-operative advertising and similar items.

For example, in one company the practice was for the home office advertising department to arbitrarily order and send to branches allotted quantities of such items as posters, counter displays and window strips which were designed to tie in with media advertising campaigns. There was an unwritten policy of actually over-supplying – under the theory that an over-supply in a branch would spur the salesmen to put up the material just to get rid of it. A study of handling of sales promotion material in branches showed that the branches did get rid of it – they threw much of it away! Also, many expensive items – such as counter displays – were not adequately packaged to stand the handling in branch stock and riding around in salesmen's cars.

A major saving was made in this cost by adoption of the following recommendations:

(a) Responsibility for determination of quantity required was transferred from the home office advertising department to the divisional offices to which the branches reported.
(b) Before material was ordered it was studied to insure that it could be protected and handled properly in branches and in salesmen's cars.
(c) Accounting for material was revised, so that the cost was assumed by the field sales divisions, instead of being a relatively small item in the home office advertising budget.

Royalties

The following case occurred in a company that manufactured many of its products under licensing and royalty agreements. The internal auditor examined the agreements, which in general specified that royalties were based on actual net sales. Payments were being made on gross sales – with no allowance for the fact that all company sales were being made through wholesale distributors. These wholesalers invariably took advantage of the 2 per cent cash discount offered to them.

The internal auditor asked himself – and the legal department – why the company was paying royalties on the 2 per cent of the sales price that it did not receive. It was agreed to change the basis to net sales, and the company saved some £18,000 per year.

Analysis of Cases

As one considers these cases and the general conditions in operating departments, several matters of note are helpful in understanding the techniques of operational auditing and its benefits.

(1) In most of the cases the records will be in order, and a routine checking of records will achieve no constructive result. The auditor must go beyond the records, to apply his knowledge of controls, of the business and his business sense – with resulting benefit to his company.
(2) The auditor must be curious, observing and persistent until he has satisfied himself.
(3) The auditor should always work co-operatively with the department in developing his recommendations and conclusions. He should be particularly careful to give the operating department credit for its share in his work, and should not worry about who receives credit for the ideas.
(4) Many of the suggestions and recommendations in operational auditing will result in definite monetary savings.
(5) In operating departments, the internal auditor will often be in a position where he can note both an original decision and the final results of that decision. In this situation, it is very easy to 'second-guess', and to point out cases where a decision was not a good one. This should never be done. The auditor's only concern is to see that the results of faulty decisions were brought out in records and reports, as a guard against repetition.

Conclusion

Operational auditing is a challenging, fascinating and rewarding field for the internal auditor. His work in this field will bring him into departments of his company that are the real heart of the business. As the auditor increases his knowledge of the business, he can do an increasingly better overall job for his management because of this added background. Finally, the auditor can often demonstrate some actual money savings in his audits, and nothing will make him much more popular with his management.

Weekly Notes

Institute Luncheon

THE President, Mr C. U. Peat, M.C., M.A., F.C.A., and members of the Council of The Institute of Chartered Accountants in England and Wales gave a luncheon on Wednesday at the Hall of the Institute.

Among the guests were the Lord Mayor of London, Sir Harold Gillett, M.C., F.C.A., Mr Alderman and Sheriff Hubert Pitman, Mr Rodway Stephens (Chief Commoner), Sir William Sykes, M.C., J.P., F.C.A. (Chairman, Coal and Corn Finance Committee), Mr Leslie B. Prince, M.A., F.C.A. (Chairman, Rates Finance Committee), Mr E. H. Nichols (Town Clerk), Mr Desmond Heap (Comptroller and City Solicitor), Mr Paul C. Davie (Remembrancer), Brigadier R. F. S. Gooch (Secretary to the Lord Mayor), Mr H. A. Mealand (City Planning Officer), Col. B. Lumsden (Common Cryer and Serjeant-at-Arms), and Capt. G. M. Bennett (City Marshal).

London Society's Mansion House Dinner

THE London and District Society of Chartered Accountants held a dinner in the Mansion House, by permission of the Lord Mayor, Sir Harold Gillett, M.C., F.C.A., last Tuesday. Mr J. D. Russell, M.A., F.C.A., Chairman of the Society, presided.

Proposing the toast of the Lord Mayor, the Corporation and the Sheriffs, the President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., said that Sir Harold, besides fulfilling the duties demanded in the high office which he had occupied for the past year with outstanding ability, had added lustre to the profession and the Institute. The President said that he understood that Sir Harold had attended over eighty more functions during his year of office than any previous Lord Mayor, 'and that was saying something'.

In his reply, the Lord Mayor said that he believed that his training as a chartered accountant and his experience as a member of the Institute had been mainly responsible for his attainment of the high office he was privileged to occupy.

The toast of the London and District Society was proposed by Mr H. O. H. Coulson, F.C.A., and the Chairman responded.

The Association on E.D.P.

IN its report for 1958, the Council of The Association of Certified and Corporate Accountants referred to the establishment, in July of that year, by its Technical Research Committee, of a sub-committee on electronic data processing.[1] The first fruits of this enterprise are now visible in the shape of two interesting pamphlets.[2] These inaugurate a series, addressed not only to accountants but to all levels of management, in which both general and specific aspects of the impact of electronic computers on business activities will be considered.

The first pamphlet, admirably non-technical in character and language, succeeds in describing precisely the nature, functions and basic units of a computer and in enumerating the preliminary points which management must take into account before deciding whether or not to install one. The second pamphlet dwells in greater detail on these points and explains the necessity for top managerial participation and co-operation in the project and the composition and work of the steering committee and the study group which should combine to produce the ultimate recommendations to the Board. As in the first pamphlet, the narrative is written in straightforward English uncomplicated by mathematical or mechanical terms.

The third pamphlet will deal with the planning and installation of a computer to the point where it is ready to operate. Among others promised for the future is one with the title of ***The role of the auditor in planning for a computer.*** If the standard set by the first two publications is maintained, the series in its entirety should make a distinctive contribution to the literature on electronic data processing.

I.F.C. on Accountants

SPEAKING to the Board of Governors of the International Finance Corporation in Washington last week at the annual meeting, Mr Robert C. Garner, the president of the Corporation, referred to the use of professional services in investigating plans and projects. He said there was frequent need for the professional services of engineers, accountants and other experts in the field of marketing, organization and management. The Corporation has noted with approval the increasing number of professional firms with international connections which are expanding their operations in the developing areas, sometimes in association with local firms.

Nevertheless, Mr Garner went on, the I.F.C. has noticed with concern proposals in some countries to restrict the activities of foreign professional firms, especially in accountancy. Such restrictions would be considered to hinder the operations of I.F.C. and to be a disservice to business in general in these countries.

The correct use of professional advice, including that given by accountants, is one of the aspects of

[1] See *The Accountant*, May 2nd, 1959, page 527.

[2] *Electronic Data Processing:* I – An introduction to electronic computers; II – Management's initial considerations when planning for a computer. (The Association of Certified and Corporate Accountants, London. 2s each net.)

industrial and commercial development which backward areas have to acquire. Many organizations and some Governments think that accountancy is an unnecessary form of snooping, having no other purpose than to indulge in cross-examination on financial affairs of the past. They overlook the positive and forward looking aspects of accountancy just as they tend to discount the importance of developing a cadre of managers. Yet both are necessary once an economic system begins to develop fast commercially and industrially.

Buoyant Retail Trade

FINANCIAL figures for the retail trade in August show a 4 per cent increase on the same month of 1958. One-quarter of the increase was due to higher prices and three-quarters to larger volumes. Provisional estimates suggest that in September the same upward trend took place. After September, the increase may be less noticeable since it was in October 1958 that the Government took off hire-purchase controls.

The big increase has been in consumer durable goods. Even a long and warm summer has not been able to sustain the earlier summer boom in clothing. Among durable goods the boom in furniture seems to have petered out but domestic appliances and radio equipment are still selling well. The indications are that the boom in retail sales will go a little further but that there will not be the same rate of increase in the public's spending as in the first three-quarters of the year.

Monty in the Headlines

LORD MONTGOMERY hit the headlines of the national Press in no uncertain fashion as a result of his speech at the annual President's Meeting of the London Chartered Accountant Students' Society in Guildhall last Monday evening.

Quietly enough, he commenced with a modest admission that he knew nothing of accountancy; but there were, he felt, two points of similarity between the accountancy profession and his own. First, the necessity for technical efficiency; secondly, the need to study human nature. Then, unpredictable as ever, he cast aside the talk he was to have given on the subject of 'leadership', and said he intended to speak about the 'situation today'. Whereupon, unheeding the Guildhall tradition of impartiality, he delivered himself of a speech of the 'truest blue'. The Press, as was to be expected, was not slow to seize upon the matter and in most of Tuesday's papers the speech became front-page news.

However, despite Low's cartoon in *The Guardian*, no one of unprejudiced outlook will for a moment accuse the profession of political affiliations – indeed, evidence of this, if such be needed, is amply provided in the list of accountants who presented themselves as Parliamentary candidates of all hues, published in our issue of September 26th.

It may be concluded then that no doubt Lord Montgomery enjoyed himself and it was obvious that the students liked the fun – but whether the speech cut any political ice no one will ever know.

Mr W. E. Parker, C.B.E., F.C.A., President of the London Chartered Accountant Students' Society, opening the President's Meeting in Guildhall on Monday evening, with (*left*) the Lord Mayor, Sir Harold Gillett, and (*right*) Lord Montgomery.

Reviews

Hire-purchase Accounts and Finance

by H. Simpson Cook, F.C.I.S., J. Anderson Hermon, A.C.A., and H. Pearse, A.A.C.C.A. (Gee & Co (Publishers) Ltd, London. 27*s* 6*d* net.)

Hire-purchase in a Free Society

Second edition by Ralph Harris, Arthur Seldon and Margot Naylor. (Institute of Economic Affairs, 7 Hobart Place, London, SW1. 9*s* 6*d* net.)

True to its double negative, the 'never never' has become very much a positive reality in this country in recent years and, in 1958, goods to the value of nearly £900 million were sold on instalment terms. The 1959 total is expected to be substantially more. In consequence, it is essential that the legal, financial and accounting implications of this form of credit trading should be properly appreciated by all who participate in it or have to advise on it. It is with precisely that object that the above two excellent guides have been produced. The first-named, after outlining briefly the law relating to hire-purchase agreements and other instalment contracts, is mainly concerned with considering in detail the required book-keeping and accounting records from the differing standpoints of the finance houses, traders and customers. The two concluding chapters deal with the effect of hire-purchase on liability to income tax and profits tax and with the various means by which hire-purchase may be financed.

The second book, as the title suggests, is a treatise rather than a textbook and, after a historical survey of credit from its dawn to its present near heyday, goes on to review the operation of finance houses before analysing the effects of hire-purchase on the British economy and making twelve recommendations as to the future. These include the suggestions that the Government should not resort to threats of arbitrary discriminations against hire-purchase but, instead, should allow it to find its own level of activity within the framework of a general monetary and fiscal policy; that the three national associations of finance houses should endeavour to promote a wider understanding of hire-purchase financial methods; that in return for a greater disclosure by finance houses of their resources and liquidity, the public should be trained to rely more on its own judgment when depositing money; and that if traders can produce evidence of having taken reasonable care in granting credit, County Courts should give more serious consideration to enforcing the remedy of repossession.

It is evident that the practice of hire-purchase is going to be an even bigger factor in the nation's economy than it has been in the immediate past and, for setting out so clearly the origins and growth of this new phenomenon and for so ably prescribing the means of controlling its trends and recording the trading it creates, the two triumvirates of authors are to be highly commended. Both books should take their permanent places side by side in the professional library.

Office Management

By J. C. Denyer, A.C.I.S., A.C.C.S., A.H.A. (Macdonald & Evans Ltd, London. 45*s* net)

Office management is aptly defined, in this entirely new work, as the organization of an office in order to achieve a specified purpose, and to make the best use of the personnel by using the most appropriate means, the best possible methods and by providing the most suitable environment. How to do this is set out in the 440 pages which follow. These are divided into eight sections - dealing in turn with the philosophy of organization, physical conditions, personnel, office systems, office machines, accounting machines and services, records and general services. There are 150 illustrations ranging from a concertina file to a Ferranti PEGASUS computer. At the end of each chapter are examination questions on the preceding subject-matter. In short, the whole art of office management is ably surveyed and, what is more, made to appear so simple that it seems hardly necessary to have to write a book about it.

Harassed staff managers should read Mr Denyer's sensible precepts and, who knows, thereafter the chairman's bell may never continue to ring unanswered, important letters will cease to find their way into the wrong envelopes, the lady who comes to make the tea will unfailingly turn up even in the rawest of winter mornings and, no longer, will all the typists demand identically the same dates for their summer holidays.

SHORTER NOTICES

Smith's Taxation. Sixty-Second edition by A. E. Bevan. (The Advertiser Press Ltd, Huddersfield. 14*s* post free.) Several things about this book strike one at once: the fact that it has gone to sixty-two editions; the excellent index; the appendix of the year's decided cases with brief summaries; the abandonment this year of the limp cloth edition; the extremely low price; and the fact that the editor is a former District Inspector of Taxes. The claim of the book to be thoroughly practical is fully justified.

What Every Taxpayer Should Know About Income Tax. Third edition, by David Shrand, M.COM., A.S.A.A., C.A.(S.A.)). Legal and Financial Publishing Company, Cape Town. 11*s* post free.) This short attractively written layman's guide to South African income tax must have had a considerable success for the third edition to have been reached within two years after first publication. There are detailed instructions on how to fill up the official return which no doubt are very welcome to the ordinary South African.

INCOME TAX LAW AND PRACTICE. Twenty-eighth edition by Cecil A. Newport, F.A.C.C.A., and H. G. S. Plunkett, Barrister-at-Law (Sweet & Maxwell Ltd, London. 30*s* net.) This new edition of a familiar work includes an eleven-page chapter on that new phenomenon, overseas trade corporations, which is a remarkable exercise in brief exposition. *Newport* is too well known to need any description; in common with all tax textbooks it must of necessity be kept up to date, hence the frequent new editions.

RECENT PUBLICATIONS

WILLS, PROBATE AND ADMINISTRATION, A Manual of the Law, by B. S. Ker, M.A.(CANTAB). xxiv+294 pp. 9×5½. 42*s* net. Sweet & Maxwell Ltd, London.

SPICER AND PEGLER'S BOOK-KEEPING AND ACCOUNTS, fifteenth edition, by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, LL.B.(LOND.), F.C.A. xi+616 pp. 9½×7. 35*s* net. H.F.L. (Publishers) Ltd, London.

THE PRINCIPLES OF COMPANY LAW, by Robert R. Pennington, LL.B. xci+661 pp. 10×6. 50*s* net. Postage 2*s* extra. Butterworth & Co (Publishers) Ltd, London.

Finance and Commerce

Keith Prowse

THIS week's reprint gives the accounts of Keith, Prowse & Co Ltd, the theatre ticket concern whose one-time slogan, 'You want the best seats', etc., became a household tag. Though the company's interests run outside this type of business, its theatre ticket sales alone, in the year under review, for the first time exceeded £1 million in one year. Group turnover of £1,498,594 compares with £1,314,264, an increase of over 14 per cent but, says Mr Peter Cadbury, the chairman, with no corresponding increase in profits. Higher turnover went in telephones, printing, rents and the company's rising standard of wages.

Unless the theatres can assist in making the sale of tickets more remunerative, he says, it may be necessary to close down branches. The fact that one subsidiary with only two branches did £473,042 worth of ticket sales in the year shows the way. On a 'Keith Prowse' scale, business in theatre tickets has to be big to carry the overheads. One of the main assets is the telephone exchange with 400 lines out to places like London Airport, the theatres, hotels, clubs, etc., and, of course, bringing nearly fifty branches under one central control.

There is even more concern in the boardroom with the state of the gramophone record side of the business where, although sales rose from £377,732 to £404,452, the increase has been more than offset by the inevitable redundancy due to the issue of more and more new labels.

Too Many Discs

MR CADBURY would like to see the record dealers forming an association in an attempt to control the number of records put out by the makers each month. (The generally accepted figure is 300 'new labels' a month.) Most of these records are of the 'pop' variety which, in fact, subsidize the serious music class. This situation presents the retailer with the problem of 'selection of stock that will provide the customer with a complete range from which to choose and at the same time keep our shelves clear of redundancy'. It is apparently one of the terms of sale by the makers that surplus stock may not be sold at cut price while the record remains in the catalogue.

There would appear to be signs that the gramophone record makers have themselves seen the 'writing on the wall' to which Mr Cadbury refers. No trade agreement is suggested but each maker, it is expected, will be applying his own methods which may well bring the output down to fifty a month.

All in all, however, the company as a whole does not appear to have fared so badly – trading profit £74,045 against £48,778 – except that the figures this time include profits from John E. Dallas & Sons Ltd (which, it is stated, had a 'poor year') acquired in September 1958. How much, in fact, came in from Dallas is not stated; there is no doubt that it should be.

No Cake

THIS year's report of Stephen Smith & Co Ltd, the Hall's Wine company, excludes pages that in previous years were devoted to an analysis of total income and of the employment of capital. The chairman, Mr Edwin Hawkins, says it has been done purposely to avoid repetition. In both cases, he says, the picture would be similar to last year's.

The disbursement of total income last year showed each £100 of income dissected as to materials, freight and insurance, £35 10*s*; duties, £28; and so on down to £3 for net dividends, and £2 residue, out of which were paid premiums on employees' pensions and life assurance schemes. The relative proportions of the items were marked off on the outline of a bottle. Capital employed gave, over ten years, the amounts in fixed assets, in net current assets and their total.

'Cake-cutting', as this device has been termed, is going out of fashion, the number of company reports giving this type of income breakdown becoming ever fewer. Just who started it will probably never be known; it was born of the social-political atmosphere of the time – and times have changed. Shareholders, the investing public – and company employees – are now more generally felt to be better served by figures showing what substance there is behind capital and income, especially income. 'Times covered' is more important than cutting cake.

Vending Machine Costs

THE accounts of the British Automatic Co Ltd this year are the first to be signed by Mr B. M. Till, F.C.A., as chairman. Mr Till, who for many years was a director, emphasizes the importance of setting aside adequate funds for the purchase of the more highly developed and intricate automatic vending machines now being developed. The initial cost, he says, is substantially more than it used to be and servicing is a matter that calls for a high degree of technical ability. Thus, it is not merely a question of replacing machines at inflated prices but of providing still further finance for the purchase of intrinsically more expensive machines.

The situation is being met by the creation of a machines replacement reserve under the capital reserves. To this reserve has been taken £185,000 from profit and loss account which, with similar transfers totalling £40,000 by subsidiaries, brings the replacement reserve up to £225,000 in the consolidated accounts. Profit and loss account, previously over £200,000, is now brought down to under £7,000, so that the creation of the replacement reserve to begin with is largely a matter of change of designation. Under capital reserves, however, there is now the specific reserve.

Since the last accounts, an offer has been made for the shares of the company's parent, Associated Automatic Machine Corporation Ltd, and the company has now become subsidiary to Lockhart, Smith & Co Ltd.

Next Week's Reprint

Vactric Ltd accounts will provide the reprint in next week's issue.

KEITH, PROWSE & COMPANY, LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1959

		£	£	Year to 31st March, 1958 £	£
Trading Profit of the year before taking into account the items set out below			74,045		48,778
Add: Income from Investments		1,909		806	
Interest on Loans		202		3,029	
Interest on Tax Reserve Certificates		301		305	
Profit on Sale of Sundry Assets		460		250	
Profit on Sale of Investments		2,107		—	
			4,979		4,390
			79,024		53,168
Deduct:					
Bank Interest		6,072		—	
Mortgage Interest		3,084		—	
Depreciation and Amortization		12,345		7,869	
Remuneration of Directors of Keith, Prowse & Co., Ltd:—					
For services as Directors	£1,890			2,438	
Other Emoluments	8,279			7,525	
		10,169			
Provision for Auditors' Fees		1,835		1,280	
			33,505		19,112
			45,519		34,056
Deduct: Exceptional item—Compensation to former Employee on termination of Service Contract			3,000		—
Group Profit before Taxation			42,519		34,056
Less: Provision for Taxation based on profits of the year:—					
Income Tax	£15,972			16,097	
Profits Tax	4,350			2,750	
Overseas Taxation	31			93	
		20,353		18,940	
Less: Overprovision in previous years		576		3,295	
			19,777		15,645
Group Profit after Taxation			22,742		18,411
Less: Minority Interests			6,040		168
Net Profit, applicable to Keith, Prowse & Co., Ltd. (of which £8,144 has been dealt with in their Accounts)			16,702		18,243
Add: Balances brought forward at 31st March, 1958:—					
Keith, Prowse & Co., Ltd.		22,916		8,821	
Subsidiaries		29,898		878	
			52,814		9,699
Amount written off Investment in Associated Company now written back			—		2,271
			69,516		30,213
Less: Preliminary Expenses written off		—		67	
Provision for Superannuation of Directors of a Subsidiary		3,124		—	
Pre-acquisition profit of a Subsidiary transferred:					
To Capital Reserve	£14,819				
To Minority Interests	12,719				
		27,538		—	
Dividend, *less* Income Tax, paid to Preference Shareholders of Keith, Prowse & Co., Ltd., for year to 31st March, 1959 (paid 30th May, 1959)		3,430		3,220	
			34,092		3,287
Balance carried forward, per Consolidated Balance Sheet:—					
Keith, Prowse & Co., Ltd.		27,630		22,916	
Subsidiaries		7,794		4,010	
			£35,424		£26,926

KEITH, PROWSE & COMPANY, LIMITED
BALANCE SHEET AS AT 31st MARCH, 1959

	£	£	31st March, 1958 £	31st March, 1958 £
CAPITAL AND RESERVES—				
Share Capital—Authorised, Issued and Fully Paid:—				
80,000 7% Cumulative Preference Shares of £1 each	80,000		80,000	
60,000 Ordinary Shares of £1 each	60,000		60,000	
		140,000		140,000
Capital Reserve—				
As at 1st April, 1958		14,892		14,892
Revenue Reserves—				
General Reserve..	14,000		14,000	
Profit and Loss Account	27,630		22,916	
		41,630		36,916
		196,522		191,808
AMOUNT SET ASIDE FOR FUTURE TAXATION		4,700		11,000
LOAN FROM A SUBSIDIARY	43,500		39,250	
Less: Proposed Dividend (net)	6,125		5,750	
		37,375		33,500
CURRENT LIABILITIES AND PROVISIONS—				
Creditors and Accrued and Contingent Liabilities ..	223,753		186,904	
Current Taxation	3,824		16,104	
Dividend on Preference Shares for year to 31st March, 1959, *less* Income Tax (since paid)	3,430		3,220	
		231,007		206,228
		£469,604		£442,536

PETER E. CADBURY, M. R. SOAMES, } *Directors.*

	Cost or book value at 1st April, 1948 £	Depreciation £	£	31st March, 1958 £	31st March, 1958 £
FIXED ASSETS—					
Leasehold Premises	35,594	8,924	26,670		28,032
Main Automatic Telephone Exchange ..	22,216	4,906	17,310		18,421
Furniture and Sundry Equipment ..	31,092	12,770	18,322		17,348
Motor Vehicles	5,723	1,956	3,767		3,955
	£94,625	£28,556	66,069		67,756
GOODWILL—					
At Cost, *less* realisations and amount written off ..			1		1
SUBSIDIARIES—					
Shares at Cost, *less* amount written off		167,726		86,770	
Add: Amounts due on Current Accounts		6,866		2,928	
		174,592			
Less: Amount due on Current Account..		3,476		—	
			171,116		89,698
INVESTMENTS—					
Associated Company—					
Shares at cost less amount written off		—		20,271	
Temporary Loan		—		11,250	
Other Investments, at cost—					
Trade Investments:					
Quoted (Market Value £3,579—*1958 £1,696*) ..		3,123		1,806	
Unquoted		50		50	
Sundry Investments (Unquoted)		2,250		2,250	
			5,423		35,627
CURRENT ASSETS—					
Stocks		65,968		61,836	
Debtors and Payments in Advance, *less* provision for Doubtful Debts		69,395		58,712	
Forward Purchases..		44,629		34,267	
Tax Reserve Certificates		—		7,075	
British Government Securities: (Market Value £26,934—*1958 £29,125*)		28,101		31,333	
Cash at Bank and in Hand		18,902		56,231	
			226,995		249,454
			£469,604		£442,536

KEITH, PROWSE & COMPANY, LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 1959

	£	£	31st March, 1958 £	31st March, 1958 £
CAPITAL AND RESERVES—				
Share Capital of Keith, Prowse & Co., Ltd.—				
Authorised, Issued and Fully Paid—				
80,000 7% Cumulative Preference Shares of £1 each	80,000		80,000	
60,000 Ordinary Shares of £1 each	60,000	140,000	60,000	140,000
Capital Reserves—				
As at 1st April, 1958	22,076		22,076	
Add: Excess of Net Assets and of Pre-acquisition Profits of a Subsidiary over the cost of the Shares acquired in that Subsidiary	44,416	66,492	—	22,076
Revenue Reserves—				
General Reserve—Keith, Prowse & Co., Ltd. ..	14,000		14,000	
Profit and Loss Accounts:				
Keith, Prowse & Co., Ltd. .. £27,630			22,916	
Subsidiaries 7,794	35,424	49,424	4,010	40,926
		255,916		203,002
MINORITY INTERESTS IN SUBSIDIARIES ..		223,096		3,900
MORTGAGE—Secured on Freehold Properties ..		51,000		—
DEFERRED LIABILITIES—				
Provision for superannuation of Directors of a Subsidiary £3,124			—	
Amount set aside for future Taxation 21,650		24,774	20,800	20,800
CURRENT LIABILITIES AND PROVISIONS—				
Creditors and Accrued and Contingent Liabilities ..	500,623		245,193	
Bank Overdraft (secured on Freehold Property) ..	102,806		—	
Current Taxation	22,575		16,140	
Dividend on the Preference Shares of Keith, Prowse & Co., Ltd., for the year to 31st March, 1959, *less* Income Tax (since paid)	3,430		3,220	
Preference Dividend payable and proposed Ordinary Dividend of a Subsidiary, due to Minority Interests	5,473	634,907	—	264,553
		£1,189,693		£492,255

NOTE: No provision has been made for any amount payable under a claim, which is not admitted, made by a former Director of a Subsidiary on the termination of his Service Agreement.

	£ Cost or valuation	£ Depreciation	£	31st March, 1958 £	31st March, 1958 £
FIXED ASSETS—					
Freehold Properties—at cost	113,090	2,988	110,102		—
—at valuation, 20th November, 1953	13,250	—	13,250		—
Other Fixed Assets, at cost or book value at 1st April, 1948:					
Leasehold Premises	86,773	13,056	73,717		76,456
Main Automatic Telephone Exchange	22,216	4,906	17,310		18,421
Royal Albert Hall Seats..	1,219	447	772		833
Plant, Machinery and Sundry Equipment	83,130	36,198	46,932		19,676
Motor Vehicles	21,907	7,473	14,434		3,955
	£341,585	£65,068	276,517		119,341
GOODWILL—					
Goodwill of Keith, Prowse & Co., Ltd., at cost *less* realisations and amount written off			1		1
INVESTMENTS—					
Associated Company—					
Shares at cost less amount written off		—		20,271	
Temporary Loan		—		11,250	
Other Investments, at cost—					
Trade Investments:					
Quoted (Market value £3,579—*1958 £1,696*) ..		3,123		1,806	
Unquoted		100		100	
Sundry Investments (Unquoted)		2,250	5,473	2,250	35,677
CURRENT ASSETS—					
Stocks and Work-in-Progress		410,441		76,007	
Debtors and Payments in Advance, *less* provision for Doubtful Debts		336,164		79,993	
Forward Purchases..		62,225		50,721	
Tax Reserve Certificates		7,500		7,075	
British Government Securities—					
(Market value £40,753—*1958 £29,125*)		41,259		31,333	
Cash at Bank and in Hand		50,113	907,702	92,107	337,236
			£1,189,693		£492,255

CITY NOTES

THE unexpectedly firm approach to the General Election in the stock-markets has probably made reaction to the result a far less pressing matter than the Stock Exchange itself had anticipated at one time.

Investors have quite clearly decided to put their faith and their money into industrial equities, either on inflation or real money growth calculations. There has never been a rise that did not bring a fall but never a fall that did not eventually lead to recovery.

The investor in first-class industrial equities has always come out on the right side in the end no matter what the political colour of the Government nor the temporary state of industry.

During the period leading up to the election, buying of industrial equities became progressively keener. In their end-September market reviews most stockbrokers put forward investment suggestions in the equity market but hemmed them in with a certain amount of political hedging.

Few brokers expected to be particularly busy as a result of their suggestions nor did they honestly expect that their clients would so urgently act on such conditioned advice. There has therefore been a considerable degree of surprise at the recent volume of market business.

Heavy equity demand has also come at a time when new issue activity has been at a high level. Company rights issues as well as public offers of new shares – with the Schroders offer prominent in the latter – have called for substantial amounts of new money. Not only has this new money been forthcoming but there has also been a steady flow of investment funds into existing shares.

RATES AND PRICES

Closing prices, Wednesday, October 7th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

July 31	£3 9*s* 8·19*d*%	Sept. 4	£3 9*s* 9·52*d*%
Aug. 7	£3 9*s* 7·97*d*%	Sept. 11	£3 9*s* 8·47*d*%
Aug. 14	£3 9*s* 8·13*d*%	Sept. 18	£3 9*s* 8·13*d*%
Aug. 21	£3 9*s* 8·39*d*%	Sept. 25	£3 9*s* 5·24*d*%
Aug. 28	£3 9*s* 9·03*d*%	Oct. 2	£3 9*s* 10·48*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 19/32–3 21/32%
Fine Trade Bills		3 months	3 19/32–3 21/32%
3 months	4¼–5%	4 months	3 19/32–3 21/32%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80⅜–½	Frankfurt	11·71¾–72¾
Montreal	2·65⅞–·66	Milan	1739¾–40¼
Amsterdam	10·57 9/16–11/16	Oslo	19·99–¼
Brussels	140·14–·15	Paris	13·76⅛–⅜
Copenhagen	19·32⅜–⅝	Zürich	12·14¼–½

Gilt-edged

Consols 2½%	49 7/16	Funding 4% 60–90	89 13/16xd
Consols 4%	72⅜	Savings 2½% 64–67	83¼xd
War Loan 3½%	65⅛	Savings 3% 55–65	90 9/16
Conversion 3½%	64 1/16	Savings 3% 60–70	81
Conversion 3½% 1969	87⅞	Savings 3% 65–75	75 9/16
Exchequer 5½% 1966	103⅛	Treasury 2½%	47⅝
Funding 3% 66–68	84⅜	Treasury 3½% 77–80	78 3/16
Funding 3% 59–69	83½xd	Treasury 3½% 79–81	76⅞
Funding 3½% 99–04	70 15/16	Victory 4%	95 3/16

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

World Refugee Year

SIR, – I am writing to you as President of the United Kingdom Committee to bring World Refugee Year to the notice of members of the accountancy profession and to ask for their help. I am very pleased to say that the President of The Institute of Chartered Accountants in England and Wales associates himself with this appeal and has given it his full support.

The decision to hold World Refugee Year from June 1959 to June 1960 was reached at the General Assembly of the United Nations in December last. It was a British idea in the first instance and fifty-three nations of the free world have now joined in. The aim of the combined effort is to help put an end to the misery and frustration suffered by millions of refugees.

In the United Kingdom, Her Majesty The Queen has graciously consented to be our patron and the leaders of the three parliamentary parties have agreed to be vice-patrons. Our target is £2 million and Her Majesty's Government has already promised an initial contribution of £200,000 exclusive of the national total.

The United Kingdom appeal has four objectives. The first is to assist refugees in Europe under the mandate of the United Nations High Commissioner for Refugees, outside camps as well as in camps. The other objectives are to help the resettlement of European refugees from China, to aid Chinese

refugees in Hong Kong and to help Palestinian refugees. These objectives have been generally welcomed and each of them is supported by one or more of the fourteen member organizations of the United Kingdom Committee.

May I commend this appeal to all accountants and ask for their help in stamping out an evil which has been on our conscience far too long. Apart from the humanitarian issue there will surely be little chance of a lasting world stability with such a problem on our hands.

Do please help and send your contributions to me, Baroness Elliot of Harwood, World Refugee Year, 9 Grosvenor Crescent, London, SW1.

Yours faithfully,

London, SW1. ELLIOT OF HARWOOD.

Audit Point: Conveyancing of Land

SIR, – May I, as an accountant in the employ of a firm of solicitors, reply to the letter from 'Bewildered' in your issue of October 3rd.

With regard first to the inquiry as to whether there is any obligation of the vendor's solicitor to endorse the conveyance to the vendor, on the subsequent sale of a part of the property, there is no such obligation, and further a purchaser's solicitor cannot insist on its being done. If he wants that right then he must see that it is a condition of the contract that a memorandum is so endorsed (ref. *Emmet on Title*).

It is, however, the opinion of the Council of the Law Society that, on such a sale, a memorandum should be endorsed on some appropriate deed, which will usually be the conveyance of the whole of the land and which will be retained by the vendor (subject usually to his acknowledgement of the purchaser's right to production, and an undertaking for safe custody). The Council further state that in their view this is good conveyancing practice and in the interests of both the vendor and the purchaser (ref. *Law Society's Digest*, Opinion No. 198).

All of which is not, I am afraid, very helpful to 'Bewildered', but it may interest him to know that where the vendor has imposed restrictive covenants on the sale of the part, the purchaser will usually have executed a duplicate conveyance and that duplicate should be with the deeds retained by the vendor.

Yours faithfully,

London, EC2. H. S. SKUSE.

Interim Dividend

SIR, – I should be glad of the opinion of your readers as to the correct practice in the United Kingdom in the following circumstances: 'A company has both equity and preference capital. The company's year ends on December 31st. It wishes, however, to prepare and publish a six-monthly balance sheet and declare an ad-interim dividend for the period to its equity shareholders. The question is whether the directors are bound equally to declare a proportionate dividend to its preference shareholders also.'

As regards the dividends, the terms of issue are as under:

> 'Profits which the company may determine to distribute in respect of any financial year or any other period shall be applied first in paying the holders of preference shares a fixed cumulative dividend of 6 per cent. per annum (free of income tax) and the balance of the said profits shall be distributed among the holders of equity shares in the proportion of the amount paid up on the equity shares held by them. If in any year, for whatever reason the profits are not taxable and the dividend on preference shares is paid, such dividend will be paid out of the past profits of the company carried to the reserves which have borne tax.'

Yours faithfully,

ARCADIA.

Cost Accounting: Calendar Variances

SIR, – Mr F. S. Woodward in his letter (September 26th issue) claims that management has a right to expect results in proportion to the volume of goods dispatched. Well spoken. In fact I suggest cost accountants would only have themselves to blame if managements exercised their rights and sacked someone who told them, in effect, that a week of hard working on everybody's part in, say, August, a holiday month, only produced a loss, whereas an identical week of hard work in October produced a fat profit (based on each month's report being charged with four weeks' fixed overheads). This is simply untrue, and accountants, of all people, should be the last to present such a distortion.

The principle of writing off expenditure as it occurs in the passage of time is rational and necessary for orthodox annual financial reporting. For *operating* statements presented *monthly* to all levels of management, an entirely new conception is needed.

This conception, I suggest, should be that all expense must be written off against whatever *causes* that expense. A two-week shut-down is a consequence of running a production plant. It obviously cannot exist in isolation. The only *cause* in fact of this two weeks of fixed expense is the output produced during the rest of the year. This is just as true as saying that the purchase of direct materials is caused by the existence of the corresponding sales orders. No cost accountant quibbles about relating these two factors directly to one another, allowing for the wastage element. Holiday time in this context is merely the wastage element on production time.

Monthly operating statements have one fundamental purpose, to inform all levels of management of their relative progress month by month, as a guide to future improvement. This unfortunately involves an unavoidably large number of variances for the 'lay' mind to grasp. It is a most difficult art to present these complexities in a form simple enough to be understandable on impact to individuals not trained as accountants. Anything less is most unlikely to

promote action. To add one single unnecessary variance in these circumstances is surely unforgivable. Calendar and holiday variances, in my view, clearly come into this regrettable category.

A suggested solution follows. This is simple enough in theory. In practice, there may be difficulties of detail (e.g., overtime, etc.), but if the main principle is kept clearly in mind, and with common sense, the way out should suggest itself.

Suggested procedure:

(1) list the number of normal working days in each month of the year, and find the average per month;
(2) charge all fixed expenses as they occur to their respective accounts, in the usual way;
(3) transfer the total of these fixed items (or such sub-totals as the form of the operating statement requires) to a suspense or control account;
(4) charge out of this (these) control account(s) to the month's operating statement an amount equal to the month's actual expenditure multiplied by $\frac{\text{month's actual working days}}{\text{monthly average working days}}$

Example

Assume two weeks shut-down occurs in August, leaving thirteen working days, and there are 240 working days in the whole year (average twenty per month) and £2,000 is paid in fixed salaries during August.

Debit salaries control account £2,000
Credit Salaries control account / *Debit* operating statement } £2,000 × $\frac{13}{20}$ = £1,300

Note. – Where the actual monthly charges are the same each month throughout the year, the control account will exactly balance by above method. If the monthly expenditure varies (despite its being 'fixed'), the mathematics will not work out exactly. In this case, the last month can be charged out 'by difference'. No significant distortion should occur in this final month.

Above procedure permits integration with financial figures, and, should it ever be required, the orthodox financial position can always be extracted at any interim date.

With Mr Woodward I should be most interested to have the views of other readers on this point, particularly of those who may already be working on the lines suggested.

Yours faithfully,
Bexley, Kent. E. SEAMAN.

Rhythm in Division

SIR, – In converting fractions of seven into decimals ('Rhythm in Division', September 19th issue) the same results can be obtained by multiplication.

This method gives the first *two* fractions of the decimal fraction ·142857.

For example:

1/7th – multiply the numerator by the denominator, i.e. 1 × 7 = 7 multiply this by 2 = 14. Add the remaining four fractions in sequence = ·142857.
2/7ths = 2 × 7 = 14 × 2 = 28.
= ·285714
3/7ths = 3 × 7 = 21 × 2 = 42
= ·428571.

For the remaining three examples the second product of each must be increased by one; e.g.

4/7ths = 4 × 7 = 28 × 2 = 56 + 1 = 57
= ·571428
5/7ths = 5 × 7 = 35 × 2 = 70 + 1 = 71
= ·714285
6/7ths = 6 × 7 = 42 × 2 = 84 + 1 = 85
= ·857142.

Yours faithfully,
Swinderby, Lincs. D. J. HARWOOD.

Electronics in the Office

Gamma Computers

THE recent announcement that Thomas De La Rue & Co Ltd has joined forces with the French company Compagnie des Machines Bull, in order to distribute the punched-card equipment and electronic computers manufactured by the latter, brings into the Commonwealth market the leading European manufacturer of computers and also the second largest in the world, in terms of numbers sold.

The French company owes its name to the Norwegian engineer F.-R. Bull, who died in 1925, and many of its valuable patents spring from his inventions. Its production comprises a full range of punched-card equipment and the two computers known as Gamma 3 and Gamma 60.

Over 2,500 punched-card installations had been made by the company by March 1959, and one Gamma 3 computer is being produced every two days. The first model was introduced in 1951, since when 600 have been delivered throughout the world. Seven Gamma 60 installations are in production, the first being due for delivery at the end of this year. Its cost ranges from approximately £330,000 to £750,000, according to the peripheral equipment required.

Computers for the Smaller Firm

A ONE-DAY conference on 'Computers for the smaller firm', organized by the Central London Productivity Association, is to be held on Thursday, October 22nd from 9.45 a.m. until 4.45 p.m. at the Council Chambers of the Federation of British Industries, 21 Tothill Street, London, SW1.

The conference is designed to introduce the smaller firm to the potentials offered by computers by illustrating the use of the smaller computers, their progressive utilization, and the functions of service centres and joint ownership. Speakers from three leading computer manufacturers will present papers illustrated with slides and case histories. Two other speakers will give information on computer centres, and user experience.

The conference fee is £1 15*s* to members of the

Association and £2 5s to non-members. Programmes and tickets may be obtained from Mr D. MacGlashan, Central London Productivity Association, c/o Stafford Allen & Sons Ltd, 20–42 Wharf Road, London, N1.

Computing System under Test

THE first production model of the Central Computing Unit of the A.E.I. 1010 Data Processing System, manufactured by the company's electronic apparatus division, Manchester, has been completed and is now undergoing tests. Various items of peripheral equipment are being added and tested with the computer, which will be installed in a computer centre in the Manchester area by the end of this year.

An introductory course on the system was held recently and was attended by representatives from a number of firms and organizations who are prospective customers for the 1010 system. These courses are to be repeated at regular intervals, and programming courses will be started early next year. The computer is completely transistorized and can execute, it is stated, some 70,000 data processing instructions every second.

Automation in the Gas Industry

THE first complete electronic accountancy mechanization in the gas industry was recently inaugurated at the South Western Gas Board's accounting centre at Bath.

Machines have been installed at the administrative headquarters of the South Western Gas Board, and together with teleprinter and radio links throughout the region, are part of a new development plan which is expected to ultimately save the board £1 million a year.

The centralization of accountancy to cover the whole of the area has been accomplished over a period during which there has been very considerable development by the Board in its gas production and distribution methods. This final concentration of accountancy at Bath enables the thirteen district managers and their staffs in charge of sales and consumer services to provide a personal service to the 650,000 consumers.

The Board first used 'punched-card' equipment in 1951, at installations in Torquay and Bristol, and these have now been combined and moved to the region headquarters at Bath. The installation at these premises comprises over seventy machines, including automatic key-punchers, interpreters, reproducers and tabulators, two electronic computers, and a revolutionary type 'Samastronic' tabulator.

One machine, for enveloping, is capable of folding bills and placing them in envelopes with suitable publicity material at the rate of over 2,000 an hour. As a general average the machines allow 10,000 bills to be dispatched each day. An I.C.T. programme-controlled electronic computer calculates gas bills at the rate of two per second and is capable of working out a complete pay calculation – including multiplying hours by rates, P.A.Y.E. deductions, insurance, pensions, sickness and holiday benefits – at a rate of one per second. This procedure is to be gradually extended and will eventually deal with the weekly wage payments for over 5,000 employees operating throughout the whole of the area. Ultimately, four of these computers will be installed, thus providing what the Board describes as a 'centralized, fully-integrated electronic data processing scheme', capable of dealing with all accounting and costing activities.

To mark ten years of nationalization, completion of its gas grid, the development of its inter-linked major works, and its centralized accounting system, the board have produced, in conjunction with International Computers and Tabulators Ltd, a documentary film entitled 'Gas – a progressive service'.

Electronics in Banking

BELIEVED to be the first computer ordered by a bank in the United Kingdom, Barclays Bank is to install an E.M.I. EMIDEC 1100 electronic data processing system to undertake centralized book-keeping for about 40,000 current accounts of a group of the bank's branches in the West End of London.

Due to come into operation in the summer of 1961, the computer will be situated in a building specially designed for it. The proposed system of operation will be solely from information transmitted by teleprinter from the bank's branches without physically moving any of the cheques or other vouchers.

Capable of carrying out tens of thousands of arithmetical calculations a second, the computer has rapid input and output facilities and a large immediate access store. The installation will cost about £125,000.

Automation for B.E.A.

ANOTHER EMIDEC 1100 also due for delivery in the summer of 1961, has been ordered by British European Airways to meet growing demands on its ground organization. The computer will provide executives with fuller information of passenger and freight movements which will enable future flight schedules to be planned for the greatest convenience of the public.

In addition to handling a large proportion of B.E.A.'s revenue accounting and the complex clerical work required to deal with the large volume of inter-airline ticket transfer facilities, the computer will be able to undertake many other operations including costing and budgetary control, purchases accounting and payroll preparation. At any given time executives will be able to see a complete picture of where their aircraft and personnel are deployed and the number of passengers using any of their domestic and international routes. The computer will also provide management with forecasts of future trends in passenger and freight handling. This installation is to cost over £250,000.

Computer for British Railways

TESTS are being made with an ELLIOTT 405 Electronic Computer at British Railways carriage and wagon works Wolverton, Bucks, which, when put into operation, will take over the accountancy of the department.

The initial applications of the machine will be dealt with in stages, taking two years to complete, and five years will elapse before it can be employed to its full possibilities. The installation is the first one of its kind for British Railways and involves the mastering of new techniques in tackling routine clerical work and necessitates the training of specialist programmers to operate and maintain the installation.

FOR STUDENTS

PRIVATE COMPANIES - II

As previously stated,[1] private companies are now divided by the Companies Act, 1948, into two classes according to whether or not they qualify as 'exempt' private companies.

Exempt Private Companies

As will be seen, an exempt private company is required to be what might be termed a 'family' type of business, and enjoys the following exemptions and privileges in addition to those enjoyed by non-exempt private companies:

(1) it need not file with its annual return a copy of the balance sheet, auditor's report or director's report (Section 129);

(2) a partner or employer of an officer or servant of the company may be appointed auditor (Section 161);

(3) the prohibition of loans to directors does not apply (Section 190);

(4) copies of resolutions or agreements required to be filed with the Registrar of Companies need not be printed, so long as they are in a form approved by the Registrar (Section 143).

An exempt private company must file with the Registrar, with its annual return, a certificate signed both by a director and by the secretary that to the best of their knowledge and belief the conditions of an exempt private company are and have been duly satisfied (Section 129). The following is the form of certificate required by the Sixth Schedule to the Act:

> We certify that, to the best of our knowledge and belief, the conditions mentioned in subsection (2) of Section one hundred and twenty-nine of the Companies Act, 1948, are satisfied at the date of the return and have been satisfied at all times since..............................*
>
> Signed..............................*Director*
>
> Signed..............................*Secretary*
>
> * Insert 'July 1st, 1948' (the date of the commencement of the Companies Act, 1948) or, if the company was registered after that date, the date on which it was registered or, if the proviso to Section 129 (1) of the Companies Act, 1948, has effect in relation to the return, the time at which it was shown to the Board of Trade that the conditions mentioned in the certificate were satisfied.

Conditions of Exemption

By Section 129 of the Companies Act, 1948, a private company is an exempt private company if, and only if, at the date of its annual return and at all times since the commencement of the 1948 Act (viz. July 1st, 1948) or since the registration of the company:

(*a*) the conditions of the Seventh Schedule to the Act are satisfied; and

(*b*) the number of debenture-holders of the company does not exceed fifty, joint holders being treated as a single person (there is no exemption here for employees and ex-employees, as there is under Section 28); and

(*c*) no body corporate is a director and neither the company nor any of its directors can be privy to any arrangement whereby the policy of the company can be determined by persons other than the directors, members and debenture-holders or their trustees.

By the proviso to Section 129 (1) referred to in the note to the form of certificate given above, a private company which did not fulfil the conditions for an exempt private company on July 1st, 1948, or on later registration, but which does so at a later date, may apply to the Board of Trade for a direction that the company shall be considered an exempt private company from that later date.

The Seventh Schedule

The Seventh Schedule to the Act lays down two basic conditions which an exempt private company must fulfil:

(1) that no body corporate is the holder of any shares or debentures;

(2) that no person other than the holder has any interest in the shares or debentures.

These conditions seek to establish that the registered owners are the persons who actually own the beneficial interest in the shares or debentures, e.g. that they do not hold them as nominees for some other persons or companies. Although a body corporate is legally a 'person', the ultimate interest belongs to its shareholders, who may be numerous. Consequently, the fact that a body corporate holds shares or debentures of a private company takes the latter company out of the class of a 'family' business.

The Seventh Schedule, after specifying these basic conditions, proceeds to enumerate a series of exceptions in which failure to comply with the basic conditions is mainly technical and not fundamental. The following is a brief recapitulation of the main provisions:

(1) any interest of a bank or finance company arising from a charge of the shares or debentures in the ordinary course of business, even if the securities are registered in the name of the bank or finance company or its nominee, is to be disregarded;

(2) the interest of a person in such securities dates from the execution of the instrument of transfer, unless such execution is unwarrantably delayed or unless registration of the transfer is refused;

(3) the interest of other persons in the securities of a deceased holder is ignored until administration of the estate is complete, as is the interest of persons in securities held by trustees of a will or family settlement;

(4) a holder of securities who is of unsound mind, or otherwise incapacitated, is deemed to be the same person as the representative in whom the securities are vested by operation of law;

[1] Part I of these notes appeared in the issue of September 26th.

(5) securities may be held in trust for employees, including directors who hold salaried employment or office;

(6) another exempt private company (B.) may hold shares (but presumably not debentures) in the company under consideration (A.), without offending against the first basic condition, provided that the aggregate number of shareholders in company A. and in company B., and in any other further company which stands to B. as B. stands to A., does not exceed fifty.

In computing the number of shareholders, joint shareholders are treated as one, and the companies themselves, present employees, and former employees who were shareholders when employed and have since continued to be so, are disregarded.

In other words, if there is a chain of private companies, A., B., C. and D., and A. holds shares in B., B. holds shares in C., and C. holds shares in D., then there will be no breach of the first basic condition in respect of any of the companies if the total shareholders in A.+B.+C.+D. (after excluding the specified joint holders, employees and ex-employees, and companies A., B. and C.) do not exceed fifty. If the number of shareholders computed in this way in companies A., B. and C. did not exceed fifty, but in companies A., B., C. and D. did exceed fifty, then the first basic condition would not be fulfilled as regards company D.;

(7) Provision is also made for 'cross-holdings' between the companies concerned. If the company whose exemption is being considered (company A.) holds shares in company B., and company B. holds shares in A., company B. is treated for the purpose of (6) above as an exempt private company if:

(i) the exception in paragraph (6) would apply to the shares in it held by A., assuming A. to be an exempt private company; and

(ii) B. is entitled in all other respects to be treated as exempt;

(8) exceptions are also made in the bankruptcy or liquidation of the holder of securities, and in connection with trusts for the benefit of creditors generally and compositions or schemes of arrangement.

Where by virtue of (6) and (7) above, shares are excepted from the first basic condition, the second basic condition is also subject to an exception for any interest in those shares which any person has by virtue of debentures of the company holding those shares, or as trustees of a deed for securing an issue of debentures of that company. That is to say, if company B. holds shares in company A., but such shares are ignored for the first basic condition, then the fact that debenture-holders of company B. may have an interest in such shares, as representing part of their security, is also ignored.

Although one exempt private company is permitted to hold shares in another as an exception to the first basic condition, it may not on a strict interpretation be able to comply with basic condition number two. If the first exempt private company holds all the shares in the second, then one or more of such shares must be registered in the name of a nominee so that the second company shall have the required minimum of two members. Consequently, the second basic condition is not fulfilled. It is understood, however, that if the one or more shares are registered jointly in the names of the holding company and the nominee, the condition will be regarded as satisfied.

It may be noted that much of the information required in deciding whether or not a company is an exempt company is not necessarily within the knowledge of the company's directors or secretary, and that the persons concerned are under no statutory obligation to see that the required information is supplied to the company. It is difficult to see how far the officers of the company should go in making inquiry, but the certificate required by Section 129 is 'to the best of their knowledge and belief'.

Clause 6 of Part II of the 1948 Act, Table A, being specimen articles of a private company, empowers the directors to *require* members to give the necessary information, supported, if thought necessary, by statutory declaration. Presumably the same authority is not given to the directors in respect of debenture-holders, since debenture-holders are not parties to the company's articles and would not be bound thereby.

Default by Private Company

Where a private company, although including in its articles of association the provisions required by Section 28, fails to comply with them, the company technically remains a private company, but, unless the Court grants relief, it loses the following privileges:

(1) the company becomes liable to be wound up if the number of members is below the minimum for a public company, viz. seven;

(2) the members may incur personal liability under Section 31 for carrying on business with the number of members below seven;

(3) an exempt private company loses the exemption, *re* filing its balance sheet etc., under Section 129.

Conversion of Private Company to Public

By Section 30 of the Companies Act, 1948, if a private company alters its articles so that they no longer include the provisions required by Section 28, the company ceases to be a private company and, within fourteen days, must file with the Registrar a statement in lieu of properties as set out in the Third Schedule to the Act, or a prospectus complying, or being deemed by virtue of Section 39 to comply, with the requirements of the Fourth Schedule to the Act.

If, therefore, a private company is converted in this manner into a public company and wishes to make a public issue of shares or debentures, it will file a prospectus. Otherwise, it must file a statement in lieu of prospectus. In this way, much information concerning the affairs of the company, not required to be disclosed by a private company, will become available to the public. Companies are quite frequently formed as private companies with the advantages arising thereby in respect of registration, commencement of business, etc., but with the intention that as soon as

the moment is opportune they shall be converted into public companies, often with a public issue of shares and/or debentures.

Of course, the conversion of a private company into a public company requires consideration of other matters in addition to the mere alteration of the articles. For instance, there must be a minimum of seven members, and a public company registered on or after November 1st, 1929, must have at least two directors. The articles as a whole should be considered, as they may contain provisions not suitable for a public company, or may not include other desirable provisions, e.g. the power to issue share warrants to bearer.

Conversion of Public Company to Private

A public company which is able to comply with the provisions of Section 28 of the Companies Act, 1948, can convert itself into a private company simply by altering its articles to include such provisions, and by deleting any other provisions inconsistent therewith, e.g. a power to issue warrants to bearer.

(Concluded.)

Notes and Notices

PERSONAL

MR C. PAXMAN TIPTAFT, M.C., F.C.A., practising under the style of TIPTAFT & SMITH, Chartered Accountants, of 1 Cliff Street, Mexborough, announces that Mr DAVID PHILIP GOODALL, A.C.A., has joined him as a partner in the practice and that as from October 2nd, 1959, the practice is being carried on in the name of TIPTAFT, SMITH & GOODALL.

MESSRS ALLEN, BALDRY, HOLMAN & BEST, Chartered Accountants, and Messrs GORDON HEYNES & Co, Chartered Accountants, announce the amalgamation of their respective practices as from October 1st, 1959. The combined firm will practise under the style of ALLEN, BALDRY, HOLMAN & BEST, in London from Bilbao House, 36 New Broad Street, EC2, and in Guildford from Prudential Buildings, Guildford. The partners are Messrs E. BALDRY, O.B.E., F.C.A., C. V. BEST, F.C.A., W. J. JACKSON, F.C.A., G. MORGAN, F.C.A., H. G. AYRES, P. EDGE-PARTINGTON, A.C.A., C. W. WILDY, F.C.A., F. H. TURNER, F.C.A., N. R. MANN, A.C.A., and P. H. JACKSON, F.C.A., together with Mr E. GARRETT, F.C.A., who will be the resident partner at Guildford.

MESSRS C. PERCY BARROWCLIFF & Co, Chartered Accountants, of Middlesbrough, Newcastle, Leeds, and Wakefield, and Messrs ARMITAGE, CARLISLE & Co, Chartered Accountants, of Leeds, announce the amalgamation of the two practices as from October 1st, 1959. Mr BRIAN ARMITAGE, A.C.A., and Mr GEORGE CLIFFORD CARLISLE, A.C.A., were admitted as from October 1st, 1959, into the partnership of C. PERCY BARROWCLIFF & Co, under which name the practices will in future be carried on. Messrs C. PERCY BARROWCLIFF & Co further announce that Mr JOHN DEMPSTER HEBDEN, A.C.A., and Mr JOHN BRIAN DIXON, A.C.A., who have been members of their staff for a number of years have been admitted into partnership.

MR C. T. BAYLEY, A.C.A., announces that after twenty years in the City, he has commenced to practice at 6 Connaught Way, Tunbridge Wells, Kent.

MESSRS ALEXANDER B. NEIL & Co, Chartered Accountants, of 49 London Wall, London, EC2, announce that they have made arrangements with Messrs WILSON, BIGG & Co, Chartered Accountants, of 80A Coleman Street, London, EC2, as a result of which Mr ALEXANDER NEIL, C.A., ceased to practise on his own account on September 1st, 1959. As from that date the practice is being carried on by a new firm, the partners of which are Mr A. B. NEIL and two of the partners of Messrs WILSON, BIGG & Co, Mr C. C. BIGG, F.C.A., and Mr K. S. CARMICHAEL, A.C.A.

MESSRS HOWARD, HOWES & Co, Chartered Accountants, of Norfolk House, Norfolk Street, London, WC2, announce that Mr R. J. BLACKADDER, M.C., C.A., who has been a member of the firm for over forty-eight years, has retired as from September 30th, 1959. He will continue to be available at the same address in connection with certain personal appointments.

MESSRS HOGG, BULLIMORE & Co, Chartered Accountants, of City-Gate House, Finsbury Square, London, EC2, announce that on October 1st, 1959, Mr W. DEREK WILSON, F.C.A., was admitted as a partner in the firm.

MESSRS BAKER & Co, Chartered Accountants, of Castilian Chambers, Castilian Street, Northampton, announce that they have merged their interests with those of Messrs THORNTON & THORNTON, Chartered Accountants, of Oxford, London and elsewhere, and as from October 1st, 1959, they will be practising under the new name of THORNTON BAKER & Co.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that they have opened an office at 1 't Heonstraat, The Hague, Holland. Mr W. A. P. THOM, C.A., who until recently was a partner in their Hong Kong firm, will be the resident partner.

MESSRS JOSOLYNE, MILES & Co, Paris, announce that they have admitted to partnership Messrs J. W. HORTON, B.COM., F.C.A., D. E. VERDON-ROE, A.C.A., and J. DRYLIE, C.A., and that as from October 1st, 1959, their practice in Paris will be carried on in

association with that of Messrs BARTON MAYHEW, HORTON & TURQUAND YOUNGS at 12 Rue Lincoln, Champs-Elysees, Paris VIIIe.

MESSRS BARTON MAYHEW, HORTON & TURQUAND YOUNGS, Paris, announce that they have admitted to partnership Messrs R. D. NORMAN, F.C.A., and T. F. HUBBARD, B.A., A.C.A., partners in Messrs JOSOLYNE, MILES & Co, Paris.

MESSRS BARTON MAYHEW, HORTON & TURQUAND YOUNGS, Paris, announce that they have opened an office at 4 Treurenberg, Brussels.

MESSRS MILLER & Co, of 37–39 High Holborn, London, WC1, announce the admission into partnership as from October 1st, 1959, of Mr C. J. ARMSTRONG, A.C.A.

PROFESSIONAL NOTES

Mr B. T. Pratt, A.C.A., has been appointed by the Minister of Transport & Civil Aviation to be a member of the Transport Users' Consultative Committee for the north-eastern area until May 31st, 1960.

Mr Gilbert G. Potier, D.F.C., A.C.A., has been appointed an alternate director of H.E. Proprietary Ltd.

Mr B. N. Eckhard, A.C.A., has been appointed an assistant general manager of the Leicester Permanent Building Society as from October 1st, 1959.

Mr Ian A. Ross, A.C.A., F.C.C.S., secretary of Kerry's (Great Britain) Ltd, has been appointed to the board.

Mr H. Dodwell, F.C.A., director of Eden Fisher Holdings Ltd, has been appointed assistant managing director of the company.

Mr W. J. Kilpatrick, M.A., C.A., has been appointed assistant secretary of Gillett Brothers Discount Co Ltd as from October 1st, 1959.

Mr E. Sinnott, F.I.M.T.A., F.S.A.A., chief accountant of the South Eastern Electricity Board, has been appointed to the board by the Minister of Power: he will continue to serve as chief accountant.

Mr M. J. Clancy, B.COMM., A.C.A., accountant, Esso Petroleum Co (Ireland) Ltd, has been appointed accounting assistant to the deputy comptroller of the company.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The Rev. David Sheppard, the test cricketer, will give a talk on 'What is the Christian message for our cities?' at 6 p.m. on Tuesday next, October 13th, in the Oak Hall of The Institute of Chartered Accountants, Moorgate Place, EC2. After the meeting there will be a short discussion on the teaching of the Bible on points arising from the address.

The Accountants' Christian Fellowship was formed in November 1953, with the stated object of promoting fellowship among Christians preparing for and engaged in accountancy and by so doing to seek to extend the Kingdom of God. Its basis is the acceptance of the principles of the Christian faith as taught in the scriptures, particularly a personal trust in the Lord and Saviour, Jesus Christ. The fellowship is interdenominational and membership is open to all accountants and accountancy students. At the present time there are about 450 members and the number is increasing. The fellowship will welcome new members and those who wish to join should write to the honorary secretary, Mr R. J. Carter, B.COM., F.C.A., Finsbury Circus House, Blomfield Street, London, EC2, or inquire at one of the meetings which are announced in this column from time to time.

CERTIFIED ACCOUNTANTS' LUNCHEON MEETING

The first of the 1959–60 luncheon meetings in London for members of The Association of Certified and Corporate Accountants will be held at the Connaught Rooms, Great Queen Street, WC2, on Monday, October 26th, at 12.30 for 1 p.m., when Colonel Kenneth Cantlie, M.I.MECH.E., M.I.LOCO.E., will talk about China. Colonel Cantlie, a fluent linguist in Chinese, is a recognized authority on China, having spent eight years there prior to 1939 and returning twice in 1956 and 1957. His family have long-standing ties with the country – his father, Sir James Cantlie, was a lifelong friend of Sun Yat Sen.

These meetings are open to all members, students and their guests, including ladies. For full particulars of this and other Association functions, members or students should write or telephone the Secretary, 22 Bedford Square, London, WC1. Telephone: Museum 5163.

THE INSTITUTE OF INTERNAL AUDITORS

Formation of New Chapters

Meetings will shortly be held in Leeds and Nottingham with the object of forming new chapters of The Institute of Internal Auditors in those towns.

The Leeds meeting will take place on Tuesday, October 20th, at 7 p.m. at *The Metropole Hotel*, King Street, and that in Nottingham on Wednesday, October 21st, at 7 p.m. at *The Black Boy Hotel*, Long Row.

Those who are responsible in a managerial or supervisory capacity for the internal auditing activities within their organizations are invited to attend the meetings, at both of which Mr J. O. Davies, F.C.A., A.C.W.A., European Regional Vice-President of the Institute, and Mr H. C. Booth, A.C.A., Founder President of the Manchester Chapter, will be present to explain the functions of the Institute and the requirements for the formation of new chapters.

The present United Kingdom membership of the Institute is about 225, with chapters in London, Manchester, Glasgow, Birmingham and Newcastle. The total world membership of the Institute, whose headquarters are in New York, exceeds 4,000.

BRITISH INSTITUTE OF MANAGEMENT

Annual Report for 1958-59

As a result of reorganization and 'stream-lining', the British Institute of Management states in its annual report for 1958–59 that an 'above the line deficit' of £30,000 has been turned into a surplus of £20,000.

During the year, closer relations with other management and professional organizations were developed and the Institute, as constituent member for the United Kingdom of the International Committee for Scientific Research, provided a continuous link with management overseas. It is reported that the regional organization has now been firmly established and that local activities conducted through the Institute's thirty branches greatly increased during the period.

A work on *Interfirm Comparison for Management* was published in the autumn of 1958 (reviewed in *The Accountant* of October 25th, 1958), and as a result of growing interest in the subject the Institute has established, in association with the British Productivity Council, a Centre for Interfirm Comparisons (announced in *The Accountant* of May 16th, 1959).

In 1958–59, 335 companies and other organizations joined the Institute (compared with 256 the previous year), bringing the total collective subscribers (including wholly-owned subsidiaries) to 2,732. Individual membership at March 31st, 1959, numbered 9,193, including 2,735 associate members and 2,714 students.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held next week:

Monday, at the Institute: 'Practical Aspect' lectures for Intermediate students: 'Costing', by Mr F. T. Hunter, F.C.A., F.C.W.A.; 'The work of executors and trustees', by Mr M. W. Lockyer, F.I.B.; 'The accountant's place in an industrial organization', by Mr E. H. Davison, A.C.A., treasurer, Courtaulds Ltd; 'Assurance and insurance', by Mr S. R. Fenwick, F.C.I.I., manager, Home Accident Department, Prudential Assurance Co. Visit to the Royal Mint (limited number). *5.30 p.m.* at the Institute: lecture on 'Audit working papers', by Mr J. O. Elphick, F.C.A.

Tuesday, at the Institute: 'Practical Aspect' lectures for Intermediate students: 'The practical view of auditing', by Mr S. J. D. Corsan, A.C.A.; 'Banking practice', by Mr G. I. Williamson, manager, Midland Bank, Overseas Branch; 'Stock exchange practice', by Mr P. Legge, member of the Stock Exchange. *5.30 p.m.* at the Institute: Speakers' Course lecture on 'How to prepare a speech', by Miss H. M. Taylor, principal, The Abbey School for Speakers.

Wednesday, at the Institute: 'Practical Aspect' lectures for Final students: 'The chartered accountant and accounting mechanization', by Mr K. G. Bishop, A.C.A., chief accountant, Yardley & Co Ltd; 'The finance of foreign trade', by Mr P. J. Shaw, assistant manager, Midland Bank, Overseas Branch; 'Economic effects of taxation', by Mr A. R. Ilersic, M.SC.(ECON.), B.COM.; 'Receiverships and bankruptcy practice (including deeds of arrangement)', by Mr Leslie Cork. Association Football, *v.* Reading University. Lecture and demonstration of Kenrick & Jefferson accounting methods (limited number). *7.30 p.m.* at Westcliff-on-Sea: lectures on 'Income tax in relation to partnerships, losses and profits tax', by Inspectors of Taxes.

Thursday, at the Institute: 'Practical Aspect' lectures for Final students: 'Building societies – their functions and financial structure', by Mr C. F. Askew, joint general manager, Abbey-National Building Society; 'Accounting for management', by Mr Christopher I. Bostock, M.A., F.C.A.; 'The consolidation of accounts in practice', by Mr E. D. McMillan, F.C.A. *5.15 p.m.* at the Institute: Introductory Course lecture on 'The fundamentals of accountancy', by Mr R. J. Carter, B.COM., F.C.A., secretary of the Students' Society. *7 p.m.* at Reading: lecture on 'Estate duty', by Mr Peter Whitworth, Barrister-at-Law. *7.45 p.m.* 1959 Group theatre party.

Friday, 5.15 p.m., at the Institute: Introductory Course lectures on 'The functions and form of the profit and loss account and balance sheet', by Mr R. J. Carter, B.COM., F.C.A.; 'The English judicial system', by Mr Patrick W. Medd, Barrister-at-Law.

SOUTHEND-ON-SEA CHARTERED ACCOUNTANTS' GROUP

The annual general meeting of the Southend-on-Sea Chartered Accountants' Group will be held next Tuesday at *The Imperial Hotel*, Westcliff-on-Sea at 6.30 for 7.30 p.m.

Members wishing to attend are requested to advise the Hon. Secretary, Mr A. A. Stewart, A.C.A., Flat 3, 1 Clifton Terrace, Southend-on-Sea not later than Monday next.

CITY DISCUSSION GROUP

The first meeting of the 1959–60 session of the City Discussion Group of Chartered Accountants will be held next Wednesday at *The Cock & Bottle*, Lawrence Pountney Hill, Cannon Street, London, EC4, at 6 for 6.30 p.m. It is hoped that as many members as possible will attend. New members will be very welcome.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

In a four-ball match at Formby Golf Club on October 2nd, the Liverpool Law Golfing Society beat the Liverpool Society of Chartered Accountants by four matches to two.

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

THE ACCOUNTANT

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CONTENTS

Taxing Employees' Share Options

A FRUITFUL source of income tax litigation in recent years has been the question of benefits received by employees, and the matter has not been without topicality in the General Election. The practice of enabling employees to acquire shares on advantageous terms in the employing company has spread widely and is bound to attract the attention of the tax authorities.

The Court of Appeal's reversal of MR JUSTICE ROXBURGH'S decision in *Abbott v. Philbin*[1] has produced a curious situation and given rise to a number of doubts, which bring into question the whole basis of liability to income tax under Schedule E. The facts were simple enough. MR ABBOTT was secretary of a company which instituted a scheme to sell to its employees options to subscribe for its shares at the middle price ruling in the local stock exchange on the date of the grant of the option. In response to the invitation of the company the taxpayer, in October 1954, sent the company a cheque for £20 in purchase of an option to subscribe for up to 2,000 ordinary shares, the middle price of the issued shares at that time being £3 8*s* 6*d*.

The option was exercisable within ten years of the date of the grant but was not transferable and, if not previously exercised, was to expire upon the taxpayer's death or retirement or other termination of his employment. On the other hand, the option could be exercised from time to time as to part of the shares. The taxpayer, on March 28th, 1956, exercised his option in relation to 250 of the option shares, the price having then risen from the £3 8*s* 6*d* when the option was granted to £4 2*s*. He thus paid £856 5*s* for shares worth £1,025, a difference of £168 10*s*. As a result, the tax inspector included in the Schedule E assessment for 1955–56 a sum of £166, being the £168 10*s* less the appropriate part of the cost of the option at £1 per hundred shares, £2 10*s*.

The taxpayer appealed on the ground, broadly speaking, that 1955–56 was the wrong year. He contended that the option contract in October 1954 vested a right of property in him forthwith, that such right was money's worth inherently capable of realization, and that in so far as it was worth more than the £20 paid for it, it was an emolument of the taxpayer's employment assessable in 1954–55. As to the issue of the shares in 1956, he contended that this was in right of the property acquired in 1954 and that any excess in value of the shares over the price

[1] *The Times*, October 7th, 1959.

paid represented an appreciation in the value of an item of property owned by the taxpayer and was not an emolument of his employment.

The Special Commissioners who heard the appeal considered themselves bound by the Scottish decision in *Forbes' Trustees v. C.I.R.* (37 A.T.C. 10) to dismiss the appeal. In the *Forbes* case it was a term of the agreement, under which the taxpayer was employed as managing director of two associated companies, that as long as he held these offices he should have the right to apply for, and be allotted, shares in either or both companies up to the number of 10,000, on payment in cash at par for the shares applies for. This term was first introduced in 1938 when the shares were only worth par. It was renewed in 1939 and again in 1944 by which time the shares were worth more than par. In 1946 the taxpayer exercised his rights, acquiring 10,000 shares in one company and 8,000 in the other. He was assessed for 1946-47 on the difference between the value of the shares at the date they were acquired and the par price paid. The Scottish Court of Session upheld the rejection of the appeal.

The Special Commissioners had applied the decision in *Weight v. Salmon* (14 A.T.C. 47) where permission to take up new shares at par had been given to directors as a matter of grace. The Court of Session held that when the right was granted in 1938 it had no pecuniary value and gave the taxpayer no right in any specific property. Accordingly, when the right was exercised in 1946 it produced a realizable benefit then which was an assessable emolument.

In *Abbott v. Philbin*, MR JUSTICE ROXBURGH decided in favour of the taxpayer,[1] distinguishing *Forbes' Trustees v. C.I.R.* In a very long judgment he expatiated on the probable difference between Scottish and English law on the nature of option rights. He held that the option when taken was a right of property which could at once be turned to pecuniary account. It was not remuneration for the taxpayer's services; it was a perquisite of his employment assessable in 1954–55 on its then value. Although the option as such was not assignable, the taxpayer could have contracted with a third party to exercise it and to transfer the shares to that party.

Giving the first judgment of the Court of Appeal THE MASTER OF THE ROLLS said there was nothing esoteric in the way the Scottish Court had answered the questions in the *Forbes* case. These were straightforward commercial points and it seemed to his lordship that what the Scottish Court had decided was that an option 'in all relevant respects the same as MR ABBOTT's option' could not be turned to pecuniary account at the date of its grant and therefore could not be taxed at that date. That Court had also decided that when the right was brought to fruition there arose a perquisite capable of being turned to pecuniary account.

It was true that the Court of Appeal was not bound by the *Forbes* case, but income tax law applied indifferently on both sides of the border and to apply an opposite decision would be to lay down a different law for England. That could not be right; it was the duty of the Court of Appeal to follow the Court of Session unless there was some compelling reason to the contrary.

Leave was given to appeal to the House of Lords and therefore it is perhaps too early to comment extensively on the case. Nevertheless, it is clear that if the appeal is unsuccessful the way will be open for a great deal of doubt and possibly a great deal of avoidance in the form of option contracts which, by their terms, are unassignable but which are in fact turned to account after the employee has given up his employment and therefore at a time when there is no 'source' of income to which the fruits of the option can be ascribed as a perquisite.

Of course, in a sense, the Court of Appeal decision is in accordance with the traditional method of assessing emoluments, namely, when they in fact arise. MR JUSTICE ROXBURGH pointed out that an employee with a service agreement giving him the right to specific remuneration over a specific period possesses a capital asset which is capable of valuation. But it would be flying in the face of established practice to tax him under Schedule E in the first year on the capitalized value of his service agreement. This is a *reductio ad absurdum*, but the difficulty of saying where the line is to be drawn remains. Presumably an assignable option is still taxable when granted. Thus the holder of an assignable option might well fare better, taxwise, than with a non-assignable option. Eventually, it seems, the Legislature will have to step in.

[1] *The Accountant*, May 9th, 1959.

How to Control Costs

II – CASH FORECASTING AND WORKING CAPITAL POSITION

by R. G. H. NELSON, A.C.A., A.C.W.A.

Provision of Working Capital

ONCE a business has begun to collect cash from its debtors, then provided the level of turnover remains constant and all collections are received when due, that business could in theory operate without any cash balance. At that stage, the constant minimum requirements of working capital would be represented by:

(i) input to work in progress for time cycle of productive throughput,
(ii) input to work in progress for period of sales credit,
(iii) *LESS* supplier credit.

This would be the amount of cash which had to be put into the business as working capital to cover the initial period from commencement of production to the encashment of the first sales.

Take a hypothetical example where the throughput time of manufacture is one week, the sales credit period four weeks, and the material purchase credit period is two weeks. Assume that all purchases are put into production immediately, and that all production is immediately sold, so that there are no stocks either of raw materials or of finished products. This, of course, is a position seldom realized in practice, but the determination of optimum stock levels is outside the scope of the present study. Once such levels have been fixed, the adjustment of the working capital calculation which follows is simple.

Let one week's input to work in progress be represented by: m=materials, l=labour and o=overhead. Successive weekly trial balances would then be as follows:

(i) *Commencement of business*

Cash Dr	$3m$	$5l$	$5o$			
To Capital				$3m$	$5l$	$5o$

(ii) *End of first week*

Cash Dr	$3m$	$4l$	$4o$			
Work in progress	m	l	o			
To Capital				$3m$	$5l$	$5o$
Creditors				m		

(iii) *Second week*

Cash Dr	$3m$	$3l$	$3o$			
Work in progress	m	l	o			
Debtors	m	l	o			
To Capital				$3m$	$5l$	$5o$
Creditors				$2m$		

(iv) *Third week*

Cash Dr	$2m$	$2l$	$2o$			
Work in progress	m	l	o			
Debtors	$2m$	$2l$	$2o$			
To Capital				$3m$	$5l$	$5o$
Creditors				$2m$		

(v) *Fourth week*

Cash Dr	m	l	o			
Work in progress	m	l	o			
Debtors	$3m$	$3l$	$3o$			
To Capital				$3m$	$5l$	$5o$
Creditors				$2m$		

(vi) *Fifth week*

Cash Dr	–	–	–			
Work in progress	m	l	o			
Debtors	$4m$	$4l$	$4o$			
To Capital				$3m$	$5l$	$5o$
Creditors				$2m$		

From this stage onwards, there need be no change in the appearance of the trial balance other than the build up, one trusts, of a profit and loss account representing the difference between cost and selling price of the goods sold. To the extent that this profit is realized it will be reflected in a cash balance destined for use partly in the payment of taxes and partly as reward to the proprietors of the business.

Requirement of a Cash Balance

To the extent that actual working conditions depart from the ideal we have been considering a cash balance (or credit facility) is needed to buffer any fluctuations from the norm. For example:

(*a*) Debtors may be slow in settling their accounts. On the other hand, the terms of credit taken from suppliers may vary, or quick payment may be made in certain cases to take advantage of cash discount. The effect of these requirements will be discovered by experience, and may be rationalized in terms of, for example, a percentage on turnover.

(*b*) Expenses are not necessarily disbursed during the accounting period to which they relate. As obvious examples, many insurance premiums are payable annually, rents, lighting and power may be paid for quarterly. Some items, like heating, will be seasonal. Appropriations of profit such as taxation and dividends will also cause peak cash requirements. The fluctuations will need to be forecast and provided for, possibly by manipulating short-term investments and other quick assets.

The first article in this series, on 'Collecting Budget Information' appeared in *The Accountant* of October 3rd.

(*c*) Major projects, whether in the form of capital expansion or trade adventures, will normally need to be covered by specific provisions of capital.

(*d*) In many cases there will be continuous fluctuations in the volume of business, and it is to meet these that cash forecasting is primarily necessary. The form of cash forecast should show clearly not only the cash resources expected to be available at the required future dates, but the extent to which deviations from a normal cash balance are due either to fluctuations around the norm or to extraordinary requirements.

A Form of Cash Forecast

It has been suggested somewhere that all the information of value to top management on any subject could be condensed on to a postcard. The idea is a pernicious one and has led to a great deal of frustration on the part of accountants, as well as to unnecessary misunderstanding between them and management.

Sometimes a compromise is reached, that management reports shall be all of a like size, or shape, or colour; but an insistence on either uniformity or brevity for their own sake is likely to defeat its object, in that any figure study has its own requirements of space and layout and attempts to fit it into a predetermined form will lead to bad design and loss of legibility. There are some occasions when one needs to spread out information over the table top and really study it in detail. One of these occasions is when considering the financing of an organization.

The form illustrated below (WORKING CAPITAL SUMMARY AND CASH FORECAST) originally covered three foolscap sheets. It has, of course, been condensed here to fit the printed page.

The form is in three parts, namely:

(1) A transcript of the balance sheet or trial balance at the date of review,

(2) an analysis of the balances into their normal and exceptional components,

(3) a forecast of movement on the various accounts.

Transcript of Balance Sheet

For the purpose of this exercise, all current assets and liabilities are first displayed, in order to arrive at the net amount of working capital actually in use in the business. The sources of this working capital are then shown, the basic items being share and loan capital and reserves,

WORKING CAPITAL SUMMARY AND CASH FORECAST

WORKING CAPITAL AS AT (DATE)						CASH FORECAST			
TOTAL			EXCEPTIONAL		NORMAL	THIS MONTH	NEXT MONTH	DESCRIPTION	DEFERRED
Description	£	£	Description	£	£	£	£		£
						80,000	Nil	Cash in hand at beginning of period	
STOCKS		400,000	Obsolete	25,000	375,000				
WORK IN PROGRESS		300,000	Project	100,000	200,000		150,000	Forward Invoicing (Schedule to be attached)	
SUNDRY DEBTORS	285,000								
Less PROVISION	20,000	265,000	Overdue	40,000	225,000	200,000	25,000	Collection of debtors	40,000
PREPAYMENTS ..		10,000			10,000				
		975,000		165,000	810,000				
SUNDRY CREDITORS								Payment of creditors	
Overdue ..	50,000			50,000		(50,000)		Overdue 50,000	
Last month ..	150,000					(75,000)	(75,000)	Last month 150,000	
This month ..	50,000				225,000		(50,000)	This month 150,000	(100,000)
Deferred ..	25,000	275,000					(10,000)	Next month	
								Deferred	(25,000)
		700,000		115,000	585,000				
						(80,000)	(80,000)	Payroll	
						(75,000)	(110,000)	Other expenses (as detailed forecast)	
							Overdraft		
CASH IN HAND ..		80,000		(115,000)	195,000	£Nil	£(150,000)		
WORKING CAPITAL		£780,000		£ — .	£780,000				
SHARE CAPITAL..	500,000								
PROFIT & LOSS ACCOUNT AND RESERVE ACCOUNTS	750,000	1,250,000							
Less: FIXED ASSETS	400,000								
LONG-TERM INVESTMENTS	70,000	470,000							
		£780,000							

from which are deducted the book value of fixed assets and long-term investments. For this purpose any cash awaiting investment should be treated as if already invested.

The treatment of a bank overdraft and of long-term creditors will depend on the policy of the business. If such means of finance are regarded as normal they will be shown as part of the capitalization, otherwise they will appear with the remainder of the current liabilities. Each business will have its own definition of 'normal'. In most cases a method of finance continuing throughout the financial year and utilized only for productive operations (as distinct from expansion or development) could be regarded as normal for that period.

The fact that the productive operations themselves might be exceptional, as in the case of an isolated large contract or project, would not affect this particular part of the statement, but would be shown up in part two.

Normal and Exceptional Balances

The object of this segregation is to show what amount of working capital would be required at the current level of activity if all accounts were paid or collected on their due date; and thus throw into relief such items as:

(*a*) Working capital employed wastefully in overdue debtors accounts, possibly due to inefficiency in the credit control department or the billing department or in customer liaison.

(*b*) Working capital tied up in stocks which are obsolete or in excess of normal requirements, due to some failure in material control or production planning.

(*c*) Working capital employed in projects or special contracts of a non-recurring nature.

(*d*) The extent to which the payment of creditors, accounts has been deferred for the purpose of meeting such exceptional requirements.

The figures of 'normal' requirements will in fact usually be remainders after listing all exceptional items.

The items likely to give most trouble are stock and work in progress. Where it is possible to define normal production or sales it will be possible to predicate a normal stockholding of raw materials to meet the production plan, a normal level of work in progress based on installed capacity, and a normal level of stock of finished goods based on demand peaks, delivery delays or other factors.

When one is dealing with a jobbing business it will be tedious to establish normal buffer stocks of raw materials, and there may be no norm at all for work in progress. In such cases one can only assume that any stocks not declared obsolete or excess or tied up in special projects are, in fact, normal in relation to current activity. Periodic studies will be made to establish exceptional items, and the figures then reported will be used unchanged until the next review.

In the illustration, 'Stocks and work in progress' are shown as one item. This is because in many cases the costing of material requisitions from one account to the other will not be complete at the date of the return, and it will be necessary to build up a composite figure starting from the last known month-end balances by adding input of labour and purchased materials and by deducting cost of sales. Sales, again, may have to be costed for interim statements on a profit percentage basis.

An item to watch is work in progress completed but not billed, and this might be shown as a separate item.

The tabulation of exceptional items will be balanced off by a bank overdraft or cash at bank, the remainder of the bank balance being extended into the 'normal' column. If we find a 'normal' overdraft, or a balance obviously much less than desirable in relation to other current assets and liabilities, then the possibilities are either:

(*a*) that the company is under-capitalized; or

(*b*) that the figures of normal stock and work in progress are excessive and need review; or

(*c*) that the volume of business has moved from the preconceived norm; or

(*d*) that one is looking at a period of peak cash requirement.

Cash Forecast

This forecast looks to the completion of the current month and to the following month, and it shows against each item in the assets and liabilities statement the forecast liquidation of that item. Cash outgoings in respect of further purchases of material, labour and overheads are entered at the foot of the forecast, and the balancing figure is, of course, the anticipated cash balance.

The effect on each balance sheet account of these forecasts of liquidation and fresh input are not shown on this statement, and it is desirable as a check on the accuracy of the forecast to build up projections of the balance sheet as it will appear at the end of each month of forecast.

This short-term forecast should be extended into a long-term cash budget wherever the business concerned is sufficiently stable to make such an estimate reliable.

Quick Assets

It has been indicated above that the 'peaking' of expenditure may necessitate the maintenance of 'quick' funds as a reservoir for the cash balance. This may mean holding short-term investments or it may merely be a matter of matching up debtors and creditors on a day-to-day basis rather than in bulk. If this is the case, then at critical periods the cash forecast may be supplemented by a forecast or series of forecasts of 'quick' assets and liabilities including cash.

The precise meaning of the term 'quick' will have to be interpreted according to the conditions of trade prevailing in the industry concerned.

Major Projects

The form of cash control statement illustrated is not really suitable for recording the progress of major projects involving capital expenditure. Such a project would normally be financed separately from the continuing activities of the business, either by the realization of investments, the raising of new share or loan capital, or the negotiation of bank credit.

Whatever the method, the facilities provided and the expenditure incurred should be recorded and controlled separately from the calculation of working capital and working cash balances.

Changing Horses

Reminiscences of Professional and Internal Auditing

by W. R. ANDERSON, F.A.C.C.A., A.C.I.S.

LIKE most youngsters straight from school I found the business environment of my first job very strange and new and, in consequence, some of the impressions of those early days have remained with me. In particular, I remember how I concluded that the people around me fell into two broad groups – three, if auditors are included.

The Teller and the Doers

There were those who told others what to do and those who did the doing. The auditors were different from those who made up the two groups – different in the sense that their grouping was indeterminable. They never told anyone what to do; neither, as far as I can remember, did they ever appear to 'do' themselves. By their conversation they seemed to be part of the office: they knew where the books were kept and they knew the staff by name; further, they seemed to be on the very best of terms with the office manager. Yet in spite of this most cordial relationship they were beings apart. It was noticeable, too, that they were not encouraged to join in the office banter; on the contrary, they were treated with much respect.

It was not possible to see what the auditors did because they always used the 'quiet room' adjoining the boardroom. The main feature of this room was its huge table in the centre which occupied much of the floor space – there were also one or two other desks. A fact which mystified me at the time was the absence of a personal working place for each of the auditors. They had neither desks nor an allocated space at the big table. Although their visits were frequent and fairly regular, they were not constant attenders and when they were not present there was nothing in the 'quiet room' to associate it with them.

In common with others of my age I entertained a great deal of curiosity about the comings and goings of staff, particularly the seniors, and I could not help noticing that the auditors always arrived after the office had started its daily routine and invariably left before the official closing hour. These auditors must have made quite an impression because I decided then that theirs was the type of job to aim for. It had an air about it of being something different, possibly some sort of privileged occupation. In any event, the auditors I had seen were always well turned out and they appeared to be reasonably prosperous – the issue was decided.

As the months passed and I absorbed the rudiments of office work, learned something about business and made progress with my professional studies, I realized that the purpose of the auditors' attendances was to verify share transactions and to examine various books of account.

My interest in auditing, stimulated by study, continued and in due course I joined the audit staff of a city firm of chartered accountants.

Joining formalities on my first day were quickly and simply completed. I met my future colleagues, was shown the common room and was given a leather-bound diary. (I learned also that the firm expected its staff to wear a hat.) Office hours were from nine-thirty until five-thirty, with a very liberal twenty minutes' grace given to late arrivals in the morning. In addition each member of the staff was allowed one Saturday morning off in every month. Needless to say, these hours were considerably shorter than those I had known previously and I soon fell into the routine – the nine forty-five arrival, followed by coffee with my colleagues in a nearby café *en route* to a client's office, where we usually arrived at about ten o'clock. In those days whenever a client's premises were within walking distance, it was customary to report in at the office first.

'The Gentlemen of the Staff'

The office was quite extensive and occupied more than one floor. Most of the interior glazing was opaque so that the occupants of the private offices enjoyed absolute privacy. There was, however, a tiny piece of clear glazing in each door which enabled those seeking audience to determine before entry whether the occupant was engaged. Throughout the office there was an ever-present atmosphere of courtesy, quiet and leisureliness. Even staff notices were addressed to 'The Gentlemen of the Staff'. There was no rushing along corridors, no managers calling for juniors and, above all, no incessantly loud telephone conversations by salesmen and others, made, I used to believe, not for the benefit of the individual at the other end of the line, but for the benefit of staff in adjoining rooms. In short, this office had an air of academic peace.

Auditing was an easy-going business, but full of interest. The senior staff not only told their assistants what to do, but also how to do it. In addition they explained the purpose of the work in hand; a refreshing change from earlier experiences, and most instructive. Occasionally there would be periods between audits when the more junior staff would have nothing to do. In the time diaries these periods were identified as 'unemployed'; (a rather harsh term, I used to think, when there was then so much real unemployment in the country). Unemployed time was passed in the office and devoted to private study. The audit staff was large and in consequence only the very senior auditors had desks of their own. The remainder shared desks in the common room. As the bulk of the auditing was carried out on clients' premises, this was an economic and sensible arrangement.

Working conditions at clients' premises varied tremendously. Sometimes we worked in the boardroom, undoubtedly because this was the only room not in constant occupation. On other occasions we used unoccupied desks in the general office. A few of the larger concerns were able to set aside a room for our exclusive use – an arrangement most satisfactory to both client and auditor. Some of the City offices were dingy indeed. Their poor lighting, inadequate hygiene arrangements, uncomfortable stools and sloping desks made them unpopular with the audit staff.

The Auditor and the Audited

The relationship between auditor and the audited is always well worthy of study. Although a client's staff is invariably helpful and friendly, this friendliness is usually tinged with the kind of reserve ever present between inspectors and those to be inspected. It is due no doubt to the fear that the auditor may find a mistake. With this in mind, I would ensure that all mistakes found were placed in their correct perspective, not only with the individuals who made the mistake but also with their superiors. Sometimes we recommended improvements to procedures, but this was by way of being a by-product of auditing on which little or no emphasis was placed unless, of course, it improved internal check or security.

Although I worked on a variety of audits including shipping, manufacturing, trading and finance companies, I can recall only two concerns which produced some form of management accounts and both were manufacturing companies. None of the firms I visited used punched-card accounting equipment, although a number did use book-keeping machines.

When I returned to the office after war service a few changes had taken place. A five-day week was being worked and the audit staff went directly to clients' offices; this certainly meant an earlier appearance at offices within walking distance. But the greatest change was the use now being made of machines to eliminate the drudgery of manual casting and calculation. Apart from this the work routine was much the same. After a few months I came to the conclusion rather reluctantly that I must move. But to what? I had acquired valuable experience in the art of auditing and in the study of commerce and

industry. I had worked for a firm which maintained high professional standards and I had grown accustomed to working with skilled and competent colleagues. All in all a most satisfying and enlightening experience.

From Professional to Internal Auditing

Eventually I left to join the internal audit staff of a company operating internationally and, in so doing, turned from professional auditing to internal auditing. The new environment was significant of the early post-war era – long hours and hard work. Gone were the comfortable City hours; the tempo was faster and there was certainly no time at all which could possibly be described as unemployed. There was far more travelling, not only in the United Kingdom but also to the Continent. Incidentally, the glamour and novelty of travelling abroad soon wears off and each visit becomes just another job.

Basically there is little difference between the auditing practice of an internal audit branch and that of a professional office. What difference there is lies in scope rather than technique. The internal auditor is concerned more with detail and becomes an expert in systems and procedures, and in due course he has a greater knowledge of them than he ever had in a professional capacity. On the other hand, he is no longer directly concerned with financial accounts and future financial policy; these are the prerogative of the executive accountant and his professional advisors. It is the internal auditor's duty to implement formulated policy and to ensure that principles are adhered to. In doing so he learns, quite apart from legal considerations, that an internal audit can never be a substitute for a professional audit.

If an internal audit branch is to fulfil its purpose, it must not deteriorate into an additional form of internal check. It should therefore be managed on quasi-professional lines and every attempt made to achieve and maintain the best professional standards in work and conduct. Because internal audit staff are employees of an undertaking, and in consequence have a direct and real interest in its progress, they must be imbued with that sense of independence which will enable them to take a detached view of the organization of which they are part.

As an internal auditor I found myself in much closer contact with other departments than the professional auditors and, once again, I experienced friendliness tinged with reserve. This attitude is taken partly because the activities of internal auditors are not always understood – too often they are assumed to be restricted solely to the verification of cash and stores – and partly because the internal auditor reports direct to top management or board level. This reserve can be overcome if a policy of full information is adopted; which means that the purpose of the audit should be explained to the manager of a unit about to be audited. Some indication of the work to be carried out should be given and the manager should be invited to state whether he would like special attention paid to any particular aspect. The audit should be rounded off by constructive, fair and objective reporting.

It was not until I became head of an internal audit branch that I encountered some of the problems of management. As an internal auditor I had been responsible technically and administratively for the assistants working with me, but only in so far as their work on the audit was concerned. As manager, I became responsible for the administration of the branch as well as for its technical function. Like all other branches in the organization it was subject to budgetary control. Budgets were prepared annually and, for this purpose, an audit plan was an obvious prerequisite. This annual exercise in forward planning proved to be invaluable because, quite apart from the purely budgetary requirement, it provided a review of the internal audit commitment, and an assessment of the means by which this commitment could be met. In addition it enabled consideration to be given to the relative values of each part of the audit.

Audit Programmes

To facilitate technical control and to eliminate wasted effort that might otherwise be concealed, the overall audit was broken down into nearly 100 audits. Each audit had its own programme, or shared a programme common to other audits. The difficulty in compiling a forward audit plan is not what to put in, but what to leave out. Although prepared some time in advance of implementation the plan, amended from time to time to meet changing circumstances, was always retained as the work basis. It was flexible, and that was important. In practice I always found my forward plan to be on the optimistic side, with the result that the branch always had plenty of work in hand. Time spent on administration was kept to the minimum. A simple analysis of audit time was kept by each member of the staff in diaries provided for the purpose. The staff prepared a monthly summary of time spent from which time and cost records were written

up. Staff administration included recruitment, gradings, working conditions, welfare, and membership as a management representative on a joint consultative local panel.

Internal audit reports differ from the normal run of professional reports in that they are neither overshadowed by statutory requirements nor confined by terms of appointment. An internal auditor has more licence and, in consequence, he is able to make a real contribution to management if his reports include comments on accounting and administrative procedures. In my view this aspect of internal auditing compensates to some degree for the absence of final accounts and other professional work.

The report is the end product of the internal auditor's efforts and the efficacy of an internal audit branch is judged by its content and standard. It is important, therefore, to ensure that these reports are well written. They must also be submitted without delay because the value of an unsubmitted report deteriorates with time. Report writing should be an essential in the training of internal audit staff. If this is done it should be possible for an auditor in charge of an audit to make a report to management level promptly. He can then confirm verbal recommendations, provide additional information and make his recommendations whilst the audit is still fresh in mind. All this can be accomplished without waiting for his chief to review and assess the audit.

On the completion of each audit under my control a detailed report was compiled for submission, with the working schedules, to me as head of the internal audit branch. This formed the basis of the report by the auditor to managerial level. That to top management was submitted by me after the manager concerned had acknowledged the report made to him. The essence of the top management report was brevity.

The Change to Executive Accounting

Internal auditing can become narrow in outlook and limited in practice, and this is not generally realized until a change is made to executive accounting. By its nature auditing is concerned primarily with the past and present, whereas executive accounting is concerned more with the present and future. Emphasis on procedural intricacies and attention to detail can tend to obscure an appreciation of the broader issues and this can be brought home forcibly during the early months of a new appointment. Internal auditing is very much a personal service and the staff contribute to this end by their assistance. Executive accounting is impersonal by comparison. This is because its tempo is determined by management requirements and its output is a direct contribution to the end product. In consequence, delegation of authority through all levels is essential if executive accounting is to play its part effectively. The effort is a team one with the executive interpreting and formulating policy and giving the lead by direction. By contrast, the auditor implements the policies laid down and works at a rate determined by himself and divorced from a management time-table. Rarely does he participate in the formulation of policy.

An executive, on the other hand, must use his authority, he must make decisions and he must take action if he is to fulfil his role. Unlike the auditor, he cannot achieve his ends by recommendation in reports and persuasion in conversations. Time for deliberation is frequently limited and the consequences of a wrong decision are ever present. The pace is faster, but this is to be expected, and there are invariably target dates of one sort or another to be met. A great demand is made on an executive's time and he must be careful to ensure that his diary is not cluttered up with appointments initiated by others. As an internal auditor I found that my diary contained far fewer appointments and that those made were invariably at my instigation.

The Complete Cycle

Executive accounting plays a great part in all forward planning and it is quite exciting to be in on ideas for the future, particularly when they are still in the pipe-dream stage. Auditing has its thrills, particularly when a fraud is uncovered, but achievements of this nature tend to be overclouded by the consequential after effects.

The cycle is complete; I have graduated from the ranks of those who do the doing, through professional and internal auditing to join the group which tells others what to do. In the process I have discovered that those who tell others what to do are themselves given instructions by others.

Basically, my early impression of two groups remains, staff on the one hand and management on the other – and of course auditors. But like so many things in this life there is no clear dividing line to facilitate grouping; some staff manage and some managers are themselves staff. Auditors remain a group apart; as indeed they must if they are to retain the independence of outlook and approach which is so vital to the value of their reports and recommendations.

Weekly Notes

Accountants' Election Successes

WE offer our congratulations to those members of the profession who were successful contestants in the General Election. There will be eight accountant members of the new Parliament: six are members of The Institute of Chartered Accountants in England and Wales, one is a member of The Institute of Chartered Accountants of Scotland and one is a member of The Association of Certified and Corporate Accountants. Their names and constituencies, together with other brief details, are given below:

Mr F. J. ALLAUN, B.COM., A.C.A. Labour Member for SALFORD EAST; has been M.P. for this constituency since 1955.

Major W. GIBSON CLARK, F.A.C.C.A., senior partner, W. G. Clark & Co, London. Conservative Member for NOTTINGHAM SOUTH.

Mr L. H. CLEAVER, J.P., F.C.A., partner, Heathcote & Coleman, Chartered Accountants, Birmingham. Conservative Member for BIRMINGHAM, YARDLEY.

Mr JACK DIAMOND, F.C.A., senior partner, John Diamond & Co, Chartered Accountants, London. Labour Member for GLOUCESTER. Has been M.P. for this constituency since 1957. Was M.P. for Blackley, Manchester, 1945–51. Parliamentary Private Secretary to Ministry of Works, 1946–47.

Mr J. M. HOWARD, F.C.A., senior partner, John Howard & Co, Chartered Accountants, London. Conservative Member for SOUTHAMPTON, TEST. Has been M.P. for this constituency since 1955. Parliamentary Private Secretary to the Treasury, 1957–58. Appointed P.P.S. to Parliamentary and Financial Secretary to the Admiralty in March 1958.

Mr A. ERNEST MARPLES, A.C.A. Conservative Member for WALLASEY. Has been M.P. for this constituency since 1945. Parliamentary Secretary to Minister of Housing and Local Government, 1951–54. Parliamentary Secretary to Minister of Pensions and National Insurance, 1954–55. Postmaster-General since January 1957.

Mr BRUCE MILLAN, C.A., with Scottish Gas Board. Labour Member for CRAIGTON, Glasgow.

Mr G. P. STEVENS, F.C.A., partner, Pannell, Crewdson & Hardy, Chartered Accountants, London. Conservative Member for PORTSMOUTH, LANGSTONE. Has been M.P. for this constituency since 1950. Chairman, Income Tax Payers' Society.

In the 1955 election, five chartered accountants were elected to Parliament and a sixth was elected at a bye-election in 1957.

Farm Accounts

RESULTS of a National Farmers' Union Survey of farm incomes in England and Wales show that the average profit of the 3,620 farms covered by the survey rose by 21 per cent in 1957–58 (year ending approximately end-February), the volume of net output being maintained at the record level of the previous year. Average revenue per farm rose from £5,833 to £6,323 and average expenditure from £5,037 to £5,301.

The two main reasons for the improvement in profits were a reduction in the rate at which production costs increased and improved weather conditions, particularly at harvest in 1957–58. For the three previous years the annual average increases in production costs had been £36 million; in 1957–58 this fell to £11 million, increases in the cost of labour, imported livestock, rent and miscellaneous expenditure being partly offset by reductions in the cost of seeds, machinery and feeding stuffs.

The average profit per 100 acres in 1957–58 was £693 but this masked variation from a minimum of £535 per 100 acres for 'mainly livestock' farms to £860 for 'mainly dairying'. In spite of only a slight increase in the total revenue from milk, incomes of dairy farmers showed an increase of 25 per cent mainly owing to an increase in the number of sheep, pigs, poultry and beef cattle on these farms. On the 'mainly livestock' farms the increase in net income was only 17 per cent while the net income of specialist pig producers within this group fell by 18 per cent.

Overall, the figures even in 1957–58 do not build up a picture of undue 'featherbedding' since an average profit of £1,075 per farm is hardly excessive where this has to cover the full-time labour of the farmer and interest on capital investment.

National Insurance and Dependants

THE Ministry of Pensions and National Insurance have issued a booklet of notes on benefits for dependants, revised to July 1959. The notes are not for general distribution but have been prepared to assist those who are often called upon for advice. Copies of this booklet, *Benefits No. 6*, can be obtained on request from the Chief Information Officer, Ministry of Pensions and National Insurance, 10 John Adam Street, London, WC2. There are other booklets; one called *How, When and Where to Claim Benefits* and *Overlapping Benefits, Allowances and Pensions.*

Benefits for dependants are intended to supplement sickness, unemployment and industrial injury benefits, retirement pension and maternity allowance. Only one increase can be paid for an adult dependant, who can be the claimant's wife, husband, one of certain relatives, or a woman housekeeper looking after the claimant's children. Children, of course, give rise to benefit as well. The standard rate for an adult dependant is 30*s* a week; for children it is 15*s* for the first child and 7*s* a week for each other child (in addition to family allowance).

Overseas Investment Inquiry

IN April 1959, the Chancellor of the Exchequer announced that an inquiry was to be instituted by the Board of Trade with the advice of the Bank of England into overseas investment by British companies, the investment here by overseas companies and the interest, profits and dividends arising. The Board of Trade announced last week that after a review of the statistics already available to the Government it had been decided that the necessary information could only be obtained in the form and time required by a direct approach to companies. Letters had accordingly been sent out during the first days of October to those companies thought to be within the scope of the inquiry.

The inquiry will relate to the year 1958 and will be followed by quarterly surveys on a sample basis. It is confined to direct investments and the income arising from them and is not intended to cover portfolio holdings. The information obtained regarding transactions on current and capital account should fill an important gap in the estimation of the balance of payments in which the figures of overseas investment are a significant item.

The Board of Trade have assured companies that any information provided will be treated in confidence and that access to the individual returns will be confined to the staff handling them. No information has yet been given as to when the statistics are likely to be available for publication but once the initial collection and collation has been completed, it should be possible by this method to ensure that there is no great delay in publication of the subsequent quarterly figures.

Government Assistance to West German Industry

THE West German Government has announced further assistance to German industry in the development of exports and the establishment of subsidiary companies in under-developed territories. A fund of £170 million was set up under the budget in order to insure certain risks attaching to the establishment of overseas subsidiaries and also certain export sales involving extended payment.

It will thus be possible for German industrialists, in return for a premium of between 1 per cent and 1·5 per cent of the insured value, to cover loss for a period of ten to fifteen years of the original investment (less 20 per cent of the risk which must be carried by the company itself) and also loss of earnings up to a specified maximum which is expected to be 25 per cent of the value of the investment. As regards exports, the budget proposals specified that guarantees may be given where the export transaction is of special political significance to the German Government.

These measures should assist in the attainment of two desirable objectives: the encouragement of investment abroad of the proceeds of West Germany's favourable balance of trade and, from the point of view of the Free World as a whole, stimulation of the industrialization of under-developed countries. They also carry obvious risks, however, if used as weapons to improve West Germany's competitive position, *vis-à-vis* other exporting countries.

Life Assurance Record

INDUSTRIAL life assurance reached a new record in 1958, according to a statement made by the chairman of the Industrial Life Offices' Association last week-end. The annual total of new savings during the year under review reached nearly £130 million.

Industrial (home service) and ordinary life funds each rose by £65 million to £1,250 million and £861 million respectively. This highest-ever yield was achieved despite a record number of payments to policy-holders averaging £3¼ million a week, of which more than £2 million a week went to industrial policy-holders. Premiums in the latter branch totalled £176 million – £7·5 million more than the sum collected in the previous year. Payments to policy-holders in the industrial branch amounted to £109 million and in the ordinary branch £69 million.

Since the Second World War, the net saving through industrial assurance alone has added over £600 million to the nation's pool of investment capital.

B.E.A.'s Record Profit

ONE of the main beneficiaries from the exceptional summer has been British European Airways who made a record profit of more than £4·5 million in the six-month summer season after deduction of interest on capital. While they expect to lose a good deal of this during the less profitable winter season, the full year should nevertheless show a substantial profit.

The financial results for the summer months bring out the importance of load factor in the profitable operation of airlines. B.E.A. made available a total capacity of 115 million ton miles while traffic totalled 80 million ton miles, an average load factor of 70 per cent. The Corporation carried over 2 million passengers at a load factor of 73 per cent compared with 65 per cent in the summer of 1958.

The need for high load factor has also been stressed at the fifteenth annual meeting of the International Air Transport Association in Tokio, particularly in connection with the introduction of the new jet airliners. The director-general, Sir William Hildred, has pointed out that the new airliners will substantially increase total world air transport capacity, yet in 1958 existing fleets ran at less than 60 per cent full. The basic dilemma of the industry for several years to come is likely to be the need for larger markets, but in Sir William's view these can only be achieved by substantial reductions in fares. Economy fares on the North Atlantic have already gained 222,000 new passengers.

The Accounting World

CANADA

Accounting Research

THE Committee on Accounting and Auditing Research of the Canadian Institute of Chartered Accountants recently published its sixteenth bulletin. This is to be distinguished from the earlier bulletins, particularly Bulletin 7 which it supersedes, in that it does not merely recommend but virtually makes mandatory the auditor's presence at the taking of inventory. The committee is of the opinion that, either at the end of the financial year or at some other time, this should be considered a normal requirement for verification, where inventories are material, and the auditor should satisfy himself by personal observation as to the methods of inventory-taking and the general condition of the inventory. If the auditor has not satisfied himself as to the basis of valuation and the material existence of the inventory his report should contain an appropriate qualification.

Mr W. Barry Coutts, C.A., states in the September issue of *The Canadian Chartered Accountant* that the committee is at present giving intensive consideration to the meaning of 'market', as applied to inventories in Canada. There appears to be a great diversity of opinion throughout the profession in Canada as to the true significance of the term.

Mr Coutts also reports that a revised standard form of auditors' report has been drawn up by the committee, to include a reference to consistency in the application of 'generally accepted principles of accounting'.

SWEDEN

The Tax on Power

IT is the dream of every tax reformer to discover a tax which is both simple and just; but this ideal has always proved elusive. Nevertheless, when the idea of a single and unique tax on power produced was first discussed, some economists were of the opinion that this was the solution to the problem. A tax on power, it was suggested, could replace all other direct taxes, with the exception of customs and certain excise duties such as those on tobacco and spirits.

The idea was considered at length at a conference held in Paris in 1956, where the detailed implications of a tax on power for a country such as France were pointed out. The price of power would be tripled, which would entail a substantial increase in the price of all basic products in the manufacture of which power plays an important role. A ton of coal would go up 57 per cent in price, cement would cost twice as much, and so on. To avoid this consequence it would be necessary to apply a graduated tariff, but in this way the initial simplicity would have to be abandoned.

The country which applied a tax on power would find that certain of its industries would be placed in an impossible position to meet international competition. All businesses and individuals would try to replace coal, electricity and oil by wood, wind, water and even human, power. The tax on power would therefore favour antiquated methods at the expense of modernization and be a retrograde step.

Nevertheless, *Le Trait d'Union Comptable et Fiscal* (Brussels) for June 1959 reports that a tax on energy was instituted in Sweden on July 1st, 1957, without that country having experienced any of these ill effects. True, the tax was a small one, introduced after the Suez crisis and intended to provide funds for creating stocks of fuel to prevent another such shortage. At the same time, however, an investment tax of 10 per cent was suppresssed and the cumulative effect of these measures was to favour production at the expense of consumption – a clearly anti-inflationary move. It will be interesting to watch and see whether Sweden will pursue this policy further.

UNITED STATES

Price Level Depreciation in Financial Statements

CERTAIN rare cases in which published annual reports have included, in 1958, adjustments for additional depreciation to counter the effects of inflation are cited in the September issue of *The Journal of Accountancy*.

Indiana Telephone Corporation has included such adjustments in supplementary statements since 1954. Sacramento Municipal Utility District made such additional charges in its statement of net revenue in 1957 and 1958, and has a credit of $1,323,000 as 'accumulated price-level depreciation' in the equity section of its balance sheet at December 31st, 1958. In their certificate the auditors said: 'Although this practice is not yet recognized as a generally accepted principle of accounting it is our opinion that, for the District, it results in a fair statement of net revenue for the year, and we have approved its adoption.'

Following a 1957 decision of the Iowa Supreme Court, the Iowa-Illinois Gas and Electric Co deducted an additional $420,000 for price-level depreciation as an operating expense in 1958. Since this amount had been allowed in the determination of rates, the credit was split between $222,000 for estimated income tax on the increased revenues and $198,000 for 'capital maintained by recovery of fair value depreciation'. Here the auditors' certificate included the following: 'Although generally accepted accounting principles presently provide that depreciation shall be based upon cost, it is our opinion that these

principles should be changed with respect to depreciation to recognize increased price levels. We approve of the practice adopted by the company, since it results, in our opinion, in a fairer statement of income for the year than that resulting from the application of generally accepted accounting principles.'

Finally a non-utility, Ayrshire Collieries Corporation, in its June 30th, 1958, annual report, deducted from its net income for the year of $2,884,256 a provision of $195,429 for price-level depreciation, arriving at a 'balance of net income'. The auditors' report, after a normal unqualified opinion, added: 'In our opinion, however, the net income for the year is more fairly presented after deducting the provision for price-level depreciation, since current price levels have been recognized in determining the current cost of property consumed in operations.' Later the Securities and Exchange Commission required an amendment of the statement of earnings to show the $195,429 as 'appropriation for price-level depreciation', and the company added the note: 'The company believes such appropriations of net income should be deducted before arriving at net income for the year, but is informed that such treatment is not in accordance with generally accepted accounting principles and will not be accepted by the Securities and Exchange Commission'.

ISRAEL

New Currency Unit

ON January 1st next, the state of Israel will introduce a new unit of currency; this will be called the 'agora'. One hundred 'agurot' will comprise the Israeli pound. The present unit, the 'pruta' which is one thousandth of a pound will then be abolished.

Finance and Commerce

For Employees

CONGRATULATIONS to Davy-United Ltd, the engineering group, on their useful little production entitled *The Money – 1959*. Accountants not unnaturally prefer their figures presented in customary accounting form, but for employees for whom the booklet is intended, something on the lines of the accompanying earnings statement which we have extracted may well be more easily grasped.

In a section of the booklet headed 'Meet the shareholders', it is revealed that 2,032 of them hold (after a scrip issue) £3,019,056; 1,305, hold less than £500 stock; 425 hold £500 to £1,000; 255 hold £1,001 to £9,999; and 47 have £10,000 and over. The identity of the forty-seven is given; showing one individual, a few 'nominees'; but for the most part insurance companies, pension funds like the 'Merchant Navy Officers' Pension Fund Trustees Ltd, and the Official Trustees of Charitable Funds. None of these, it is stated, holds more than 7 per cent of the stock.

Insurance companies figure prominently; in total, it is noted, 'they do own something like 25 per cent of the stock'. But the booklet continues, there is nothing abnormal about this, as insurance companies are the biggest investors in industry today. 'They do not seek to influence or control industry in any way; they are simply effecting a sound investment for the life savings of a multitude of policy-holders. In this way, millions of people in this country have an indirect but nevertheless very real interest in Davy-United'.

THE DAVY-UNITED GROUP

What we earned in 1958/9			Each £1 received from customer.
Our customers paid or agreed to pay for machinery and plant supplied to them in the year		£14,591,000	£1
We paid for materials and services such as castings, forgings, pig iron, power, heating and lighting		10,281,000	14s. 1d.
leaving		4,310,000	
The Government takes for Taxation ..		676,000	11d.
leaving		3,634,000	
Those of us who are employees received wages, salaries, National Health stamps, holiday pay and pension contributions of		2,530,000	3s. 6d.
Leaving		1,104,000	
Those of us who are shareholders are to receive as dividend		277,000	4½d.
leaving		£827,000	
This last amount was ploughed back into the business to:—			
(1) Provide for depreciation and replacement of plant and buildings ..	£444,000		
(2) Add to resources to enable the Group to carry on its business at the present level of activity ..	383,000	£827,000	1s. 1½d.

Vactric

THIS week's reprint features the accounts of Vactric Ltd, a name associated with household electrical appliances. The style of the original has been preserved as closely as possible but some compression is inevitable when page sizes do not coincide. In the original, each side of the combined parent and group balance sheet is approximately nine inches square, the group figures being distinguished by their light green background. This tinted background saves a dual balance sheet from becoming a maze of figures.

In the past year profits were more than doubled. The company, says the chairman, Mr W. C. Pegley,

took its share of the increased trade in domestic appliances that followed the easing of hire-purchase regulations half-way through the year. Turnover increased 'substantially' but the percentage of net profit was 'very modest'.

During the year, the company sold its hire-purchase finance company, Awley Finance Co Ltd, to Lombard Banking Ltd which resulted in a net addition to capital reserve of £281,556, after deducting £765,000 in respect of a distribution to shareholders on November 25th at the rate of 8*s* 6*d* per share.

The effect on trading results is shown separately in the profit and loss account where against the previous profit from Awley Finance of £163,745, there is this time merely a dividend of £45,000.

Canadian Sale

The following item in the profit and loss account shows that the Canadian subsidiary has been sold and that a loss of £271,602 was incurred to the date of sale. The sale agreement, Mr Pegley says, is a complicated document but it provides for the Vactric Company reserving £58,310 in respect of indebtedness which will not be recovered.

But there is a brighter side, he adds: the undertaking has fortunately been sold to a Canadian concern which will continue to buy Vactric products and, secondly, it has been possible to bring in a capital surplus over the cost of the shares of £67,225. Moreover, further receipts on capital account are expected and may amount to a 'substantial' figure. The directors, however, have thought it prudent not to incorporate these items in the present accounts.

With these accounts now before them, says Mr Pegley, shareholders will appreciate the wisdom of the board's refusal of the take-over bid from Arusha Industries Ltd on the ground that it did

VACTRIC LIMITED and

BALANCE SHEET (VACTRIC LTD.) AND CONSOLIDATED

Comparative Figures at 29th March, 1958					28th March, 1959			
VACTRIC LTD.		GROUP			VACTRIC LTD.		GROUP	
£	£	£	£	**SHARE CAPITAL OF VACTRIC LTD.—**	£	£	£	£
300,000		300,000		*Authorised:* 300,000 6% Cum. Pref. Shares of £1 each	300,000		300,000	
300,000		300,000		1,200,000 Ordinary Shares of 5s. each ..	300,000		300,000	
400,000		400,000		1,600,000 "A" (Non-Voting) Ordinary Shares of 5s. each	400,000		400,000	
£1,000,000		£1,000,000			£1,000,000		£1,000,000	
				Issued and fully paid:				
300,000		300,000		300,000 6% Cum. Pref. Shares of £1 each	300,000		300,000	
300,000		300,000		1,200,000 Ordinary Shares of 5s. each ..	300,000		300,000	
150,000		150,000		800,000 "A" (Non-Voting) Ordinary Shares of 5s. each (including 200,000 issued 15th January, 1959)	200,000		200,000	
	750,000		750,000			800,000		800,000
				CAPITAL RESERVE—				
203,881		208,231		Balance as at 29th March, 1958	203,881		208,231	
—		—		*Add:* Profit on Sale of Awley Finance Co. Ltd. £1,046,556				
—		—		*Less:* Amount distributed in cash to Ordinary and "A" (Non-Voting) Ordinary Shareholders at 8s. 6d. per Share 765,000	281,556		281,556	
—		—		*Add:* Ascertained Surplus on Sale of Canadian Subsidiary	67,225		67,225	
	203,881		208,231			552,662		557,012
	—		9,091	*Consolidation Adjustment*		—		—
	953,881		967,322			1,352,662		1,357,012
				PROFIT AND LOSS ACCOUNT—				
79,491		79,491		Balance per annexed Account	16,787		16,787	
—		6,677		Retained by Subsidiary Companies	—		7,945	
—		164,054		*Applicable to Awley Finance Co. Ltd. now sold*	—		—	
	79,491		250,222			16,787		24,732
	—		16,383	**MINORITY SHAREHOLDERS' INTEREST IN A SUBSIDIARY**		—		16,002
				TAXATION—				
—		—		Initial Allowances Equalisation Reserve	—		46,884	
—		207,112		Future Income Tax Assessable, 1959/60	—		176,870	
	—		207,112			—		223,754
	1,033,372		1,441,039			1,369,449		1,621,500
				CURRENT LIABILITIES AND PROVISIONS—				
320,966		1,018,292		Creditors and accrued charges..	244,255		1,088,452	
231,851		917,524		Loans from Bankers	411,515		412,185	
—		152,048		Secured Loans	—		1,418	
73,095		369,898		Current Taxation	83,466		132,997	
38,813		38,813		Ordinary Share Dividend proposed	76,563		76,563	
12,500		61,476		Provisions for Service Guarantees and Hire Purchase repossessions	12,500		108,050	
	677,225		2,558,051			828,299		1,819,665
	£1,710,597		£3,999,090	*The Notes on page [332] are part of these Balance Sheets.*		£2,197,748		£3,441,165

not recognize the potential earning capacity of the Vactric group.

Stockholders' Interests

'THE accounts as circulated have been prepared in a similar form to that adopted for several years', says Mr Frank Charlton, chairman of Furness, Withy & Co Ltd, in his annual statement. That, of course, is not extraordinary – most companies tend to do it and indeed it is in many ways a good thing to see the figures each year presented in a comparable setting. But that is not to say there is often no room for improvement.

In this case, Mr Charlton admits suggestions have been made from time to time that the accounts should disclose 'more detailed information regarding the various interests of the group'. However, while, he says, the board have given 'careful consideration' to these pleas, the problem is a complicated one, due to the financial structure of the group and 'it is considered that for the time being the interests of the stockholders are best served by continuing the present system'.

Mr Charlton does not disclose the nature of the 'more detailed information' which has been asked for, nor in what way it would be against the interests of stockholders to give it. A statement on these lines would have been more convincing.

This phrase 'against the interests of stockholders' was being said thirty years ago when this column was urging that profit and loss accounts should show the year's profits and that holding companies should issue consolidated accounts. What was then said to be impossible or 'inadvisable' is now accomplished fact, and we are now moving on to figures being issued at six-monthly and quarterly intervals. This Furness, Withy statement sounds so very much behind the accounting times.

its Subsidiary Companies

BALANCE SHEET (GROUP) AS AT 28th MARCH, 1959

Comparative Figures at 29th March, 1958					28th March, 1959			
VACTRIC LTD.		GROUP			VACTRIC LTD.		GROUP	
£	£	£	£	**FIXED ASSETS—**	£	£	£	£
39,446		173,389		Properties: Cost	77,272		202,957	
—		18,022		*Less:* Amounts written off	—		11,478	
	39,446		155,367			77,272		191,479
66,740		537,745		Plant and Machinery: Cost	53,466		564,805	
51,254		228,588		*Less:* Amounts written off	35,300		244,811	
	15,486		309,157			18,166		319,994
54,701		221,920		Furniture Fixtures and Fittings: Cost	77,404		208,017	
31,245		74,593		*Less:* Amounts written off	27,904		63,426	
	23,456		147,327			49,500		144,591
81,742		351,412		Motor Vehicles: Cost	89,933		505,342	
38,709		136,369		*Less:* Amounts written off	34,008		138,277	
	43,033		215,043			55,925		367,065
	121,421		826,894			200,863		1,023,129
				SUBSIDIARY COMPANIES—				
				SUBSIDIARIES RETAINED:—				
966,854				Shares at cost *less* amounts written off	366,854			
610,847				Indebtedness to Parent Company	1,166,826			
1,577,701					1,533,680			
391,572				*Less:* Amounts due to Subsidiaries	191,629			
	1,186,129		—			1,342,051		—
				CANADIAN SUBSIDIARY SINCE SOLD—				
—				Shares at Cost (*less amounts written off*)	9,044			
—				Ascertained Surplus on Sale	67,225			
99,101				Indebtedness: Estimated amount recoverable	137,518			
	99,101		—			213,787		213,787
				CURRENT ASSETS—				
83,897		2,109,464		Debtors and Prepayments	91,313		617,364	
70,317		70,317		Income Tax Recoverable	143,606		143,606	
145,546		957,159		Stocks valued at Cost or under	201,588		1,334,882	
4,186		35,256		Cash at Bank and in Hand	4,540		108,397	
	303,946		3,172,196			441,047		2,204,249
				Signed:— W. C. PEGLEY, R. A. SAUNDERS } *Directors.*				
	£1,710,597		£3,999,090			£2,197,748		£3,441,165

VACTRIC LIMITED and its Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Financial Year (52 weeks) ended 28th March, 1959

Comparative Figures 1957/58 £	£		1958/59 £	£
	404,902	**TRADING PROFIT OF THE GROUP BEFORE INCORPORATING THE ITEMS SET OUT BELOW**		839,662
126,452		*Deduct:* DEPRECIATION	164,636	
3,887		AUDIT FEES	5,500	
1,600		REMUNERATION OF THE DIRECTORS OF VACTRIC LTD: Fees	1,475	
21,152		Management Services	26,298	
5,009		Pension Fund Premiums	5,709	
	158,100			203,618
	246,802			636,044
(Decrease)	*1,154*	*Deduct:* INCREASE IN PROVISIONS		55,013
	247,956	**NET TRADING PROFIT FOR THE YEAR EXCLUDING THE FOLLOWING RESULTS OF SUBSIDIARY COMPANIES NOW SOLD**		581,031
(Profit for Year)	*163,745*	*Add:* AWLEY FINANCE CO. LIMITED (Dividend received prior to sale)		45,000
	411,701			626,031
	73,931	*Deduct:* CANADIAN SUBSIDIARY (Loss to date of sale)		271,602
	337,770	**NET PROFIT FOR THE YEAR BEFORE CHARGING TAXATION**		354,429
		Deduct: TAXATION ON THE YEAR'S PROFITS:—		
133,635		Income Tax (excluding benefit of Initial Allowances 1959/60)	160,132	
44,350		Profits Tax	37,816	
	177,985			197,948
	159,785	**NET PROFIT OF THE GROUP AFTER CHARGING TAXATION**		156,481
35,197		*Deduct:* PROFIT RETAINED IN THE ACCOUNTS OF SUBSIDIARY COMPANIES	9,456	
762		INTEREST OF MINORITY SHAREHOLDERS IN A SUBSIDIARY	762	
	35,959			10,218
	123,826	**NET PROFIT FOR THE YEAR DEALT WITH BY VACTRIC LIMITED**		146,263
	86,720	*Add:* DIVIDENDS PAID TO PARENT COMPANY FROM ACCUMULATED PROFITS OF SUBSIDIARY COMPANIES		8,188
	210,546			154,451
	72,202	*Deduct:* PROVISION MADE BY PARENT COMPANY IN RESPECT OF INDEBTEDNESS OF CANADIAN SUBSIDIARY		58,310
	138,344			96,141
47,491		**BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR**	79,491	
		Less: AMOUNT CAPITALISED AND APPROPRIATED 15TH JANUARY, 1959 FOR BONUS ISSUE OF 200,000 "A" (NON-VOTING) ORDINARY SHARES OF 5s. EACH £50,000		
—		EXPENSES OF ISSUE 998	50,998	
	47,491			28,493
	—	*Add:* AMOUNT PREVIOUSLY WRITTEN OFF SHARES IN SUBSIDIARIES NOW SOLD		11,410
	185,835	**AVAILABLE FOR APPROPRIATION BY VACTRIC LIMITED**		136,044
		Deduct: APPROPRIATIONS:—		
31,306		*Amount written off Shares in Subsidiaries*	—	
		Dividends for the Year (*less* Tax):—		
10,350		On the 6 per cent. Cumulative Preference Shares (Paid)	10,350	
		On the Ordinary and "A" (Non-Voting) Ordinary Shares:—		
25,875 (10%)		Interim at 12½ per cent. (paid)	32,344	
38,813 (15%)		Final at 25 per cent. (proposed)	76,563	
	106,344			119,257
	£79,491	**BALANCE CARRIED FORWARD BY VACTRIC LIMITED** as shown in Balance Sheet		£16,787

VACTRIC LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES ON THE BALANCE SHEETS DATED 28th MARCH, 1959

1. Consolidation.

The comparative figures in the Group Balance Sheet as at 29th March, 1958, include those at that date of Awley Finance Co. Ltd. (sold during the year) and the Canadian Subsidiary (since sold).

For greater clarity the individual figures of the Canadian Subsidiary have not been included in the Group figures at the 28th March, 1959, the result to the Parent Company of the sale being shown as a separate figure instead.

2. Contingent Liabilities.

There were contingent liabilities of the Parent Company at the Balance Sheet date in respect of Bills Discounted £5,574 (last year £40,593).

3. Debentures.

The Parent Company's borrowing from a Bank amounting to £411,515 (last year £52,178) is secured by a Mortgage Debenture constituting a fixed and floating charge on the Company's property, undertaking, goodwill and uncalled Capital.

4. Capital Commitments.

Contracts for Capital Expenditure for which no provision has been made in these Accounts, are estimated to amount to £104,630 (last year £95,000), of which the Parent Company had entered into Contracts amounting to £12,630 (last year £6,725).

5. Provisions for Service Guarantees and Hire Purchase Repossessions.

	£
Balance at 29th March, 1958	61,476
Deduct: Amount in Canadian Subsidiary's Accounts at that date	8,439
	53,037
Add: Provision made in 1958/59	55,013
	£108,050

6. Foreign Exchange.

Canadian Dollars have been converted at the rate of \$2.725=£1 sterling, and Australian £s at the rate of A25s.=£1 sterling.

CITY NOTES

HAVING made an extraordinarily accurate forecast of the election result, the stock-market inevitably celebrated its success with record business and record prices. There has since been some re-adjustment but the market mood remains confident.

For the City, the election result means a further period of freedom from irksome controls on capital and on industry. There are hopes, however, that the Government, with election doubts put aside, will now undertake some of the reforms that the City considers necessary.

In some quarters the Companies Act is considered to be in need of revision and also Building Society and Trustee Act legislation. In addition, legislation to assist small investment operations is hoped for and in this context the £2 per cent stamp duty is emphasized as one of the investment burdens that could well be eased.

The latter point, however, does not appear to have prevented the market from doing record business and the stamp duty seems to be a theoretical rather than a practical investment obstacle.

One result of the removal of election doubts is likely to be an upsurge in new issue activity. Steel companies, for example, are now free to come to the market with new ordinary share offers. In the unit trust field an immediate post election development has been the launching of British Shareholders International Trust by Philip Hill, Higginson, Erlanger, the merchant bankers.

In the market's present mood of confidence new issues are likely to command immediate support both from home investors and from foreign operators. The latter are now likely to play a prominent part in British investment operations.

RATES AND PRICES

Closing prices, Tuesday, October 13th, 1959

Tax Reserve Certificates: interest rate (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Aug. 7	£3 9*s* 7·97*d*%	Sept. 11	£3 9*s* 8·47*d*%
Aug. 14	£3 9*s* 8·13*d*%	Sept. 18	£3 9*s* 8·13*d*%
Aug. 21	£3 9*s* 8·39*d*%	Sept. 25	£3 9*s* 5·24*d*%
Aug. 28	£3 9*s* 9·03*d*%	Oct. 2	£3 9*s* 10·48*d*%
Sept. 4	£3 9*s* 9·52*d*%	Oct. 9	£3 8*s* 9*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 17/32–3 21/32%
Fine Trade Bills		3 months	3 17/32–3 21/32%
3 months	4¼–5%	4 months	3 17/32–3 21/32%
4 months	4¼–5%	6 months	3 17/32–3⅝%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80 13/16–⅞	Frankfurt	11·73¾–·74
Montreal	2·66 5/16–7/16	Milan	1742¾–3¼
Amsterdam	10·58 11/16–13/16	Oslo	20·01⅜–⅝
Brussels	140·28½–·29½	Paris	13·77⅜–·78⅛
Copenhagen	19·35⅛–⅜	Zürich	12·18–¼

Gilt-edged

Consols 2½%	50⅛	Funding 4% 60–90	90 7/16xd
Consols 4%	73⅛	Savings 2½% 64–67	84xd
War Loan 3½%	65 15/16	Savings 3% 55–65	91 7/16
Conversion 3½%	64 13/16	Savings 3% 60–70	82⅛
Conversion 3½% 1969	88 7/16	Savings 3% 65–75	76½
Exchequer 5½% 1966	103⅝	Treasury 2½%	48⅜
Funding 3% 66–68	85 1/16	Treasury 3½% 77–80	79
Funding 3% 59–69	84⅛	Treasury 3½% 79–81	77¾
Funding 3½% 99–04	71 13/16	Victory 4%	95½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The London Students' President's Meeting

SIR, – I have been able to reply individually to those who wrote to the Chartered Accountant Students' Society of London after its meeting in Guildhall on October 5th when Lord Montgomery took me and everyone else by surprise by speaking about the General Election. May I use your columns to assure the members generally that this experience in no way implies departure by the Society from its firm adherence to the principle that the profession as such, and therefore the professional bodies, should have no part in political controversy.

To members of the Students' Society, who feel that, however inadvertently, we have laid ourselves open to criticism I should like to exonerate the committee. The arrangements for these Guildhall meetings are solely the responsibility of the President of the Society; the committee takes no part in them. Criticisms should therefore be directed at me and not at the committee.

I am writing a similar letter to the editor of *Accountancy*.

Yours faithfully,

W. E. PARKER,

PRESIDENT, THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON.

London, EC2.

Stock Verification in South Africa

SIR, – I refer to the letter from the chairman of the Joint Council of the Societies of Chartered Accountants of South Africa (which appeared in your issue of August 22nd) and the letter from four South African auditors (which appeared in the September 26th issue.)

It is emphatically averred that auditors in South Africa do in fact verify stocks and that my article is consequently misleading. I have no desire to enter into a discussion on semantics with the four auditors, but verification of stock obviously means what it implies – the *positive* confirmation of stock instead of the *negative* acceptance of a certificate from management.

My article deals only with those industrial and commercial companies which are listed on the Johannesburg Stock Exchange. I have accordingly inspected the latest balance sheets of these companies on file at the Exchange and here are my findings:

Class	*Stock Qualified*	*Stock Unqualified*	*Total*
(*a*) Breweries, wines, mineral waters and hotels ..	5	10	15
(*b*) Building and allied industries	25	20	45
(*c*) Clothing and textiles, footwear and leather	35	12	47
(*d*) Food, produce and fisheries	19	24	43
(*e*) Furniture and household appliances	5	8	13
(*f*) Iron, steel engineering and electrical	26	44	70
(*g*) Motor and transport ..	22	17	39
(*h*) Paper, printing and packaging	12	11	23
(*i*) Retailers and wholesalers ..	32	16	48
(*j*) Tobacco and match ..	5	3	8
(*k*) General	8	13	21
TOTALS	194	178	372
PERCENTAGES ..	52%	48%	100%

One company apparently had no stock and two were under judicial management, so these were ignored. Where work in progress was shown separately but qualified, while the stock of raw materials was unqualified, the balance sheets were regarded as unqualified. The stock qualification almost invariably reads: 'As certified (or valued) by the management (or directors)'.

In the light of these figures, it can hardly be claimed that verification of stock is general auditing practice in South Africa. Moreover, it appeared to me in my hurried inspection that the large auditing firms, with a wide range of clients, showed the stock without any qualification but that the more numerous smaller firms usually relied upon the management to certify (or value) the stock. This makes the verification of stock even less wide in its general application.

On the other hand, of course, it also appears that I should not have made a sweeping generalization, as I did in my article, when 48 per cent of the balance sheets of the listed industrial and commercial companies show the stock without any qualification. In apologizing to those auditors who do verify stocks, therefore, may I express the hope that their enlightened thinking will influence the profession as a whole in the public interest?

Yours faithfully,

Johannesburg. F. G. BEARD.

Institute Membership

SIR, – I would like to support Mr Grigsby's letter in the October 3rd issue of *The Accountant* wherein he expresses his wish that the Council will abolish the 'second-class citizenship' of the incorporated accountants.

There is, to the layman, as a result of integration, some sort of stigma attaching to the designation of incorporated accountant. They consider that these unfortunate beings are in some way not up to the standards required to be called chartered accountants.

Under the present rules of the Institute this of course is true; but surely this is not justified when the incorporated accountant has passed the same examinations as some of his more fortunate colleagues and has also spent a minimum of six years in the profession.

At December 31st, 1958, of the total members of the Institute, only 6 per cent were incorporated accountants. Surely it is time that the Council took steps to end this unjustifiable discrimination.

Yours faithfully,

London, NW6. ADRIAN BAZAR.

E.D.P. and Accounting

SIR, – I have read with great interest the first two booklets on electronic data processing produced by The Association of Certified and Corporate Accountants and am intrigued by the following sentence which appears in the second paragraph of the first booklet:

> 'In fact, the possibilities for the future are so great as to suggest that the accounting function allied to an electronic data processing system will become an indispensable aid to management'.

I am amazed to hear that the accounting function *will become* an indispensable aid to management when it is allied to an electronic data processing system – surely the Association means that accounting *will remain* an indispensable aid to management, or can it be the view of the Association that management can well do without the assistance of accountancy?

Yours faithfully,

Hove, Sussex. JOHN W. MITCHELL.

NINTH NATIONAL TAXATION CONFERENCE

SUCCESSFUL MEETING AT FOLKESTONE

The ninth national taxation conference organized by our contemporary *Taxation* was held at Folkestone from Friday of last week until last Monday. There was an attendance of several hundreds and once again the occasion was a notable success.

The conference was presided over by Mr Percy F. Hughes, editor of *Taxation*, and the papers on various aspects of taxation law and practice presented at the business sessions in The Leas Cliff Hall were of great practical value to practitioners. Other features of the conference were a number of enjoyable social functions, and an interesting programme for the ladies.

CHAIRMAN'S OPENING ADDRESS

In his opening speech on Friday afternoon, Mr Percy F. Hughes said:

As in the case of the first conference, an election has intervened immediately prior to the commencement of this conference. I suppose some will be more pleased than others at the results of the election that have reached us so far, but I hasten to make it quite plain that this is not a political gathering but an occasion for those interested in the subject of taxation to get together for our mutual advantage. I hope that all will have a very enjoyable week-end in Folkestone and that the ladies in particular will find the arrangements made for them to their liking.

I am delighted that on this occasion Mrs Staples has found it possible to be present with us, and I am sure that you all share my pleasure in this respect. As on previous occasions, we have several overseas visitors with us and to them I give a special welcome. I hope that they will enjoy their visit to Folkestone and will find our conference of benefit to them when they return home.

Mr William Jackson, the President of The Association of Certified and Corporate Accountants, has found it possible, despite the duties of his office, to be present with us and I am pleased that he will take the chair for one of our business sessions.

Possible Budget Changes

Last year I said that I thought that the rates of income tax would be reduced and, as you know, Mr Heathcoat Amory was kind enough to accept my advice, or at least to think on the same lines. Next year, I think that we shall see some improvement in some of the allowances and reliefs. No one seems to know why two single persons should have aggregate personal allowances in excess of the personal allowance available to a married man. Other possibilities are that Schedule A tax will be abolished for owner-occupiers, and that the Chancellor may amend the legislation relating to surtax on companies, so as to make, in the case of trading companies, reasonable distributions the maximum possible sums on which surtax can be borne.

It seems possible that something will be done to ensure that part of the profit arising from take-over bids will pass to the Exchequer. The Royal Commission recommended that distributions of capital profits should be taxed. Many people with varied political leanings have expressed the view that a capital gains tax would be a good thing for this country, no doubt in the hope that it would result in there being some reduction in other forms of taxation. The difficulty is to measure the capital gain, particularly in times of inflation, and also to deal with losses without too serious a loss to the Exchequer.

When he was Chancellor of the Exchequer, Sir Stafford Cripps examined the possibility of a capital gains tax in considerable detail but did not go further with it, although he did introduce the once-for-all special contribution in 1947–48. In the course of his budget speech on April 6th, 1948, Sir Stafford Cripps said:

> 'From the administrative point of view, a capital levy – in the ordinary sense of those words – is impracticable at the present time. It would be impossible to effect the valuation of all the capital assets in the country without a very large increase in the staff of valuers; and that staff is already very short for the jobs that it has got to do. Moreover the assessments and collection would take years and could be of no immediate value to the Revenue.'

The position must be the same today.

Schedule E Expenses

But one of the more urgent problems is that affecting Schedule E expenses. We have heard a good deal of election noise on this subject in recent weeks but I am not concerned with that. I am concerned with the state of the law on this subject. If I read the wording of Rule 7 of the Ninth Schedule of the Income Tax Act, 1952, to a group of students, it never fails to raise a laugh. The idea that in 1959 an employee may claim the expense – and here I quote the rule – 'of keeping and maintaining a horse to enable him to perform the same' – that is to say, perform his duties, seems to be too absurd. Students are, of course, much more interested in fast motor-cars, but this rule was introduced long before there were any motor-cars, even those which I think are now described as 'vintage cars'. Of course, the horse does not give much trouble in applying the rule – the difficulties arise mainly from the fact that the holder of the office must satisfy the Revenue that he is 'necessarily obliged' to expend money wholly, exclusively and necessarily in the performance of his duties.

In the last two or three years some members of the House of Commons have tried to have this rule amended. The Royal Commission on the Taxation of Profits and Income in its report published in 1955 recommended that the rule should be altered to allow the deduction of 'all expenses reasonably incurred for the appropriate performance of the duties of the office or employment'.

The legislation introduced in 1948 affecting directors and employees earning more than £2,000 a year has merely served to emphasize the antiquated wording of Rule 7, the terms of which cannot be operated in a precise form in practice. I do not know of any of our income tax provisions which cause so much irritation

and I feel that it is time that it was brought into line with the recommendation of the Royal Commission.

Evasion

Tax evasion is always with us and it is not confined to any particular income group, although persons carrying on businesses and in employment are mainly responsible. A good deal has been done in recent years to widen the powers of the Inland Revenue Department, and this has had some effect. Sole traders and directors of private companies have opportunities for evasion but so have those who carry on work out of normal working hours for persons who are not their usual employers. Farmers know that P.A.Y.E. prevents them from having overtime worked by some employees who prefer to spend this time working for another farmer who would not get his fruit picked if he asked questions necessary to enable him to apply P.A.Y.E. Both skilled and unskilled workers are affected by this matter and it may well increase as the number of hours to be worked in the normal working week decrease.

But we should not lose our sense of perspective. Thanks mainly to the continuous co-operation between practitioners and Inland Revenue officers, our tax system works better and with less evasion than any other in the world. It is the task of both to interpret the law which Parliament has seen fit to make and this without party flavour. Where the legislation is defective or incapable of application in practice fairly as between one taxpayer and another, we should press for its amendment by all available constitutional means.

Inland Revenue Accounting

With Mr Percy F. Hughes in the chair, the first business session was devoted to an address from Mr W. F. B. Smith, Accountant and Comptroller-General of the Inland Revenue, on 'The work of the Accountant and Comptroller-General's Department'.

Mr. Smith said that the Board of Inland Revenue was first constituted in 1849 and its staff shortly afterwards numbered some 5,000 of whom about ninety-six served in the office of the Accountant and Comptroller-General. Included in the staff were ten 'firelighters' and sixteen 'necessary women' or charladies. The speaker went on to describe the modern structure of the Inland Revenue department with its secretary's office and eight branches, of which his was one. The chairman of the Board was its 'accounting officer' but the Accountant and Comptroller-General accompanied the chairman when he appeared before the Public Accounts Committee, and also advised the chairman on accounting. He was also responsible for the preparation of vote estimates, the appropriation account, and accounts of the Inland Revenue duties. His office had three divisions; audit, collection, and general accounting. Much of the audit division work lay in inspecting employers' P.A.Y.E. records and bringing defaulters to book.

The collection division had offices throughout the country where tax was collected, and where of course very human problems arose and were dealt with sympathetically. On the other hand, enforcement of payment was sometimes necessary; by distraint,

At the conference dance on Saturday evening. *Right to left:* Mr William Jackson, F.A.C.C.A., President of The Association of Certified and Corporate Accountants; Mr F. Cameron Osbourn, M.B.E., B.A., LL.B., Secretary of the Association; Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., formerly director of The Institute of Cost and Works Accountants; Mrs Berger; Mrs J. C. Latham; Mrs Jackson.

summary proceedings, and interception of rents.

Tax dodging, said the speaker, was no new thing. In 1690 the Royal agents were writing to the Commissioners for the county of Durham:

> 'Complaints have been made that there are great Endevours used by setting up of Trusts and other practices to abate the Taxes granted to their Majesties. . . .'

In 1957–58 the total gross receipt of Inland Revenue duties was over £3,200 million, whilst repayments amounted to £355 million. Such, however, was the system of accounting and banking that it was possible to make a daily transfer to the Exchequer of the balance of the Inland Revenue general account at the Bank of England and, on the following day, to transmit to the Treasury a statement allocating the transfer under heads of duty. The net balance in the general account each day was the amount automatically transferred to the Exchequer.

Disbursements, including tax repayments, were normally made by crossed orders payable only through a bank. Each day the head offices of the banks claimed reimbursement, which was effected through the Accountant and Comptroller-General's drawing account at the Bank of England. Since the beginning of June, last, over 800,000 orders for payment of post-war credits had been issued.

Mock Interviews

On Saturday morning there was an interesting session devoted to mock interviews held in relation to Section 245, Income Tax Act, 1952.

There were three mock interviews:

(*a*) a board meeting of Foke Stone Ltd, which has received an inquiry from the Special Commissioners under Section 245, Income Tax Act, 1952;

(*b*) three weeks later, an interview with a representative of the Special Commissioners;

(*c*) one week later – another board meeting of Foke Stone Ltd.

Those taking part were: Mr T. L. Crispin, A.C.A., Mr Percy F. Hughes, Mr J. A. Luke, A.C.A., Mr J. T. Patterson, F.C.A., Mr R. J. Pickerill, A.C.A., and Mr K. R. Tingley, A.A.C.C.A.

Practical Survey of Retirement Pensions

The first address on Saturday afternoon was given by Mr Gordon A. Hosking, F.I.A., F.S.S., F.I.S., on 'Retirement pensions – a practical survey'. Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., was in the chair.

The speaker began with a brief history of the income tax legislative provisions dealing with provision for retirement, in particular the legislation of 1921 and 1947 giving the Inland Revenue to approve various kinds of schemes. He pointed out that the National Insurance pension was now an important factor to be taken into account when deciding how much provision should be made by the individual employer or employee. It was becoming common practice to calculate potential pension in such a way that in effect the national pension was regarded as adequate against the first few pounds of weekly remuneration.

A pension fund could invest in equities and perhaps obtain both high income and capital appreciation for the benefit of the pensioners, although there was always a risk and this method demanded constant watch on the portfolio. A special unit trust had been

Mr Gordon A. Hosking, F.I.A., F.S.S., F.I.S., addressing the conference on Saturday afternoon. In the chair is Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., with Mr Harold Kennett, conference secretary, on the right.

set up to enable pension fund managers to take advantage of the investing skill of experts. On the other hand, if one wanted a guaranteed minimum the contributions could be invested in premiums on deferred annuities. If an insurance company was used it was important to obtain competitive tenders for there was by no means uniformity among the companies; some gave much better terms than others.

The National Insurance Act, 1959, provided for graduated pensions but the additional pensions which would be payable were not large. In a few months it was hoped that regulations provided for in the Act would be made and then it would be easier to decide whether or not to contract out of the Act. An election to contract out could be revoked subsequently.

Until 1956 individuals who were not members of pension schemes run by their employers were at a disadvantage taxwise in relation to provision for retirement. The Finance Act, 1956, put him in much the same position as his formerly more favoured brethren. Within certain limits he could obtain full income tax and surtax relief on his premiums and also receive tax free interest on them, provided, of course, the subsequent benefits were in themselves taxable. The Act had given rise to a vast number of different kinds of contracts offered by over sixty insurance companies and one needed to compare these very carefully as here again the benefits given per £ of premium were by no means uniform.

Recent Tax Litigation

The second speaker on Saturday afternoon was Mr M. F. Coop, B.A., who gave an address on 'Recent tax cases in the news – some interesting points'. Mr William Jackson, F.A.C.C.A. was in the chair.

Mr Coop's first case was *Maden & Ireland Ltd v. Hinton*[1] where the House of Lords held by a majority

[1] *The Accountant*, August 15th, 1959, page 64.

that lasts and detachable knives used with the machinery of a shoe manufacturer were themselves 'plant and machinery' and that the expenditure on them was capital expenditure, notwithstanding that it was written off over the short space of two years. The knives and lasts expenditure accordingly qualified for investment allowance under Section 16 of the Finance Act, 1954. The speaker analysed this decision in some detail, and drew attention to Lord Reid's observation that Section 16 (3) (*c*) of the Finance Act, 1954, appeared to be a statutory recognition of the practice of allowing deductions under Section 137 (*d*) of the Income Tax Act, 1952, in respect of capital expenditure.

After giving the facts in the *Hinchy*[1] penalty case and mentioning the observations in the Court of Appeal of the anomalous nature of the Inland Revenue claim to penalties on the whole income, Mr Coop went on to refer to two developments from the case although it is not finished yet, being on its way to the House of Lords. In the first place there is to be a review of all the penalty provisions. In the second place the Inland Revenue have announced that as a temporary measure, in the case of incorrect income tax returns, they will bring proceedings not for the full penalties but for the amount which they consider ought to be paid in the circumstances of the case.

Mr Coop then dealt with matters of valuation of work in progress in the light of the decision in *Duple Motor Bodies Ltd v. Ostime*[2]. In that case Mr Justice Vaisey had reversed the Special Commissioners' decision that overheads should be added. If the Special Commissioners' decision were restored on appeal difficult questions would arise. Revenue expenditure would be carried forward to a year when it had not been incurred. Moreover, part of the oncost would include depreciation charge but of course depreciation is dealt with by capital allowances.

The speaker expatiated on the problems implicit in the case of *Unit Construction Co Ltd v. Bullock*[3] which turned on the question where a subsidiary company was 'resident'. The *de jure* management and control were necessarily abroad; and *de facto* control was exercised by the holding company in the United Kingdom. It was held that the place of *de jure* control was paramount.

The speaker closed his discourse with a review of recent cases on emoluments and Schedule E.

Civic Reception and Dance

On Saturday evening, the Mayor and Mayoress of Folkestone, Alderman and Mrs W. M. Harris, gave a civic reception and dance in The Leas Cliff Hall for members and their ladies.

Church Service

A special service for members and their ladies at the Parish Church of St Mary and St Eanswythe was conducted by the Vicar, The Reverend Canon J. F. Hough, M.A., on Sunday morning.

Golf Competition

An eighteen-hole Stableford golf competition for the *Taxation* Challenge Cup was held on Sunday over the Folkestone Golf Club course. The winner was Mr J. D. Pullan, a partner in the firm of Wells & Partners, Chartered Accountants, of London. The presentation of the trophy was made on Monday morning by Mrs Staples.

Sir Harold Barton, F.C.A., and Lady Barton (*left*) are greeted by the chairman, Mr Percy F. Hughes, and Mrs Hughes at the conference reception on Friday.

Valuing Shares in Private Companies

On Monday morning the first address was given by Mr Ian M. Bowie, M.A., C.A., on 'Estate duty valuation of shares in private companies'. Sir Harold Barton, F.C.A., was in the chair.

Mr Bowie drew attention to the wording of Section 7 (5) of the Finance Act, 1894, and added that no material alteration had been made in the sixty-odd years since then, except in relation to controlled companies. However, numerous cases had been before the Courts, in particular the case of *Re Holt* (33 A.T.C. 402). Mr Bowie suggested that it would be an advantage if disputes with the Estate Duty Office on valuations could be referred to a statutory tribunal similar to the Special Commissioners. The cost of appealing to the High Court was so high that executors tended to give way to the arguments of the officials rather than fight the case.

Where shares were quoted on the stock exchange there was little difficulty, but it was extremely difficult to value shares in private companies owing to the extremely limited or non-existent market. Moreover this market was still shrinking in view of the growing popularity of stock exchange investments and trust units as an alternative form of investment. On the problem of arriving at a fair price as between the assumed buyer and the assumed seller, Mr Bowie gave a list of the matters which had to be taken into account, and reviewed the essential difference between preference and ordinary shares.

The speaker then went on to deal with the vexed question of 'assets valuation' in the case of shares passing on the death of a person who had control

[1] *The Accountant*, May 16th, 1959, page 596.
[2] *The Accountant*, August 1st, 1959, page 56.
[3] *The Accountant*, April 25th, 1959, page 498.

of the company. He dealt also with the amending legislation passed in 1954 and examined in detail the provisions for arriving at the 'assets valuation'.

Capital Allowances

The last address was given by Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., the chair being taken by Mr F. C. H. Edwardson, A.C.A. The subject was 'Capital allowances – including references to investment allowances'. Mr Cooper said that the provisions for capital allowances as such were first enacted in 1945 so that by now the subject ought to have settled down to some certainty. However, the provisions were unfortunately being altered nearly every year. Apart from their constantly changing character, capital allowances had given rise to some surprises when the subject of litigation, which was not infrequent. They had had repercussions in the fields of nationalization, surtax direction, and even estate duty valuation.

After reviewing the main statutory provisions for capital allowances, Mr Cooper pointed out the permanent feature that the allowances were not given in computing profit but were in the nature of allowances to be deducted from the assessments on those profits. Sometimes, of course, they exceeded the assessable profit. Mr Cooper went on to sketch the history of the old wear and tear allowance introduced last century. He then proceeded to deal with balancing charges, pointing out that although they were limited to the allowances actually given, they could be a great burden if they fell in an income tax year when the taxpayer happened to be paying a high rate of tax. However, although a balancing charge was income, it was not part of a company's income from all sources for the purpose of a surtax direction.

The speaker then turned to the more topical subject of investment allowances. He pointed out that in the case of buildings the allowance did not bring much benefit until fifty years had elapsed, unless the building was disposed of earlier. In view of the rapidity with which the allowance could be withdrawn, Mr Cooper doubted whether it would have very much effect in encouraging re-equipment and modernization.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on October 7th, 1959, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President in the Chair; Messrs E. Baldry, O.B.E., Mr C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Presentation of Prizes

In presenting prizes and certificates to those candidates who were able to attend the meeting of the Council, the President said:

My first words to you, gentlemen, must be of welcome and congratulation. Criticisms have reached me about this little ceremony suggesting that it is inadequate for the occasion, and we are looking into the matter with a view to improving it in future. But however inadequate the ceremony may be it does not detract from the sincerity of our welcome and congratulations to you on your successes in the examination.

Whenever I think of prize winners or those who get high places in examinations I am reminded of a true story told to me when I was attached to Messrs Price Waterhouse & Co forty years ago in New York. Mr May, their then senior partner, told me that he and the next senior to him were interviewing a possible recruit to their staff in America, a qualified man from England. They asked him amongst other questions how he had done in his exams., whether he had got a prize or got a high place. He replied somewhat rashly that he hadn't done anything like that and that as far as he knew, people who had been successful in that way rarely did any good afterwards. This was an unfortunate thing to say because both the partners in Messrs Price Waterhouse & Co to whom he was speaking had been first in the Final examination of the Institute and were at that time the most successful and expert accountants in North America. (*Laughter.*) The moral of this story is that success in the exams., as Sir Winston Churchill once said, should not be regarded as a sofa to recline on but as a springboard for a further advance.

You young men are gifted with a capacity which many of us envy of being able to pass examinations with great credit, which indicates both concentration and ability. You must use these great gifts not only for the furtherance of your own careers but, as Lord Montgomery said, you must look outwards and with a sense of intelligent self-interest do all you can to help the profession to which you will belong, a family of 32,000 people who are facing a stage of great development which is in every respect both very critical and exciting.

We as a Council have the responsibility of administering the affairs of the Institute. I cannot this morning go into the details of all the committees of the Institute and the work they do but I can only hope that you young men will familiarize yourselves with the work of the Council and when the time comes

take your fair share in it. In conclusion let me once more offer you on behalf of the Council of the Institute our most sincere congratulations and good wishes for the future. (*Applause.*)

Fellowship

The Council decided that the following statement be published as part of the proceedings of the Council:

The resolution passed at the special meeting of members on June 2nd, 1959, and subsequently on a poll of all members was confirmed at the special meeting of members held on August 5th, 1959. Application has accordingly been made for the allowance by Her Majesty in Council of the amendments to the Royal Charters and Bye-laws as set out in the resolution. The resolution specifies January 1st, 1960, as the operative date for the change in the basis on which associates become fellows and the similar change in the basis on which incorporated accountant members A.S.A.A. become F.S.A.A. The resolution also specifies January 1st, 1960, as the operative date for the reduction in the rates of subscription payable by fellows. Members who pay their subscriptions by bankers' order have been advised of any amendment which will be necessary. Otherwise no action by members is required. Effect will be given to the changes, both as regards class of membership and subscription rate, on the subscription notices issued for 1960.

Exemption from the Preliminary Examination

Four applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (*b*) for exemption from the Intermediate examination was not acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

Registration of Articles

The Secretary reported the registration of 528 articles of clerkship during August and September, the total number since January 1st, 1959, being 1,557.

Admissions to Membership

The following were admitted to membership of the Institute:

Agyeman, Albert Kofi; A.C.A., 1959; Kumasi College of Technology, Kumasi, Ghana, West Africa.
Ashton, Roy Alfred; A.C.A., 1959; 6 Sandringham Road, Hackney, London, E8.
Bains, Norman; A.C.A., 1959; 56 Newminster Road, Newcastle upon Tyne, 4.
Barnes, John Down; M.A., A.C.A., 1959; 2 Ryndleside, Oakes, Huddersfield.
Barrow, Simon Richard; A.C.A., 1959; St George's Lodge, Sandwich, Kent.
Becker, Michael Edmund Leigh; A.C.A., 1959; 70 Eccleston Square, London, SW1.
Bowes Lyon, Simon Alexander, B.A.; A.C.A., 1959; 12 Morpeth Mansions, London, SW1.
§Boynton, Norman Stuart; A.S.A.A., 1959; with Peat, Marwick, Mitchell & Co, P.O. Box 1301, Bulawayo, Southern Rhodesia.
Buckley, Anthony James Henthorne, B.A., LL.B.; A.C.A., 1959; 25 Middleton Crescent, Beeston, Notts.
Burgess, John; A.C.A., 1959; 12 Beaconsfield Street, West Bromwich, Staffs.
Burrows, Peter Anthony; A.C.A., 1959; 91 Claremount Road, Wallasey, Cheshire.
Cain, Robert Neil; A.C.A., 1959; 'Wynloe', Marylebone, Wigan, Lancs.
Clarke, Brian Reginald; A.C.A., 1959; 1 Waincliffe Drive, Leeds, 11.
Cornelius, Donald Ernest Popham; A.C.A., 1959; (S. 1939); 47 The Croft, Bradley Road, Trowbridge, Wilts.
§Dewar, John Bruce; A.S.A.A., 1959; 64 Rutland Road, Parkwood, Johannesburg, Transvaal, South Africa.
Dunn, Brian Russell; A.C.A., 1959; with Chamberlain & Merchant, Park House, Friar Lane, Nottingham.
Forth, William Henry; A.C.A., 1959; with Baker, Sutton & Co, Eldon Street House, Eldon Street, London, EC2.
Gottesman, John Michael; A.C.A., 1959; 73 Aubert Court, Avenell Road, London, N5.
Gould, Thomas Vaughan, B.SC.(ECON.); A.C.A., 1959; 3 Russell Hill, Purley, Surrey.
Harel, Marie François Jacques; A.C.A., 1959; 115 Chatsworth Court, Pembroke Road, London, W8.
§Hartley, Donald; A.S.A.A., 1959; 16 Spring Court Road, The Ridgeway, Enfield, Middx.
Haslett, David Francis; A.C.A., 1959; 80 Carlton Road, Walton-on-Thames, Surrey.
Hebblethwaite, Richard Jeremy, B.A.; A.C.A., 1959; Field House, Kirton, Ipswich.
Hodgkinson, Eric; A.C.A., 1959; 50 Kirkhill, Shepshed, near Loughborough, Leicestershire.
Jones, Derek Edward; A.C.A., 1959; 248 Rocky Lane, Perry Barr, Birmingham, 22B.
Lawson, James Douglas; A.C.A., 1959; 7 Slenningford Grove, Shipley, Yorks.
Parry, Ronald; A.C.A., 1959; 75 Northmead Road, Allerton, Liverpool, 19.
§Phillips, Vernon Francis; A.S.A.A., 1959; 147 Plants Hill Crescent, Tile Hill, Coventry.
Reece, Leslie, B.A.(COM.); A.C.A., 1959; 6 Moss Bank, Crumpsall, Manchester, 8.
Roberts, Richard Edwin Stace; A.C.A., 1959; 90 Beechwood Road, Sanderstead, Surrey.
§Robinson, William Maytham; A.S.A.A., 1959; 3 Abbotswold Road, Saxonwold, Johannesburg, South Africa.
Scarr, William Lowther; A.C.A., 1959; Wharfedale Hall, Boston Spa, Yorkshire.
§Sealey, Thomas Allan; A.S.A.A., 1959; 59 Larchfield Road, Roebuck Park, Dundrum, Co. Dublin.
Seddoh, Elliot Edward; A.C.A., 1959; c/o C. K. Agbanyo, P.O. Box 933, Cocoa Marketing Board, Ghana, West Africa.
Shaw, Frank Lindley, B.COM.; A.C.A., 1959; c/o Canadian National Railways, General Superintendents' Office, Northern Ontario Area, Capreol, Ontario, Canada.
Smith, Anthony John; A.C.A., 1959; 2 Lower Hester Street, Northampton.
Smith, Charles William; A.C.A., 1959; with Uganda Transport Co Ltd, P.O. Box 638, Kampala, Uganda.
Smith, David Riley; A.C.A., 1959; 6 Springfield Terrace, Scholes, Cleckheaton, Yorks.
Smith, Kenneth George; A.C.A., 1959; 3 De la Pole Terrace, Symons Street, Hull.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

§ means 'incorporated accountant member'.

Ussher, Joseph Rolland; A.C.A., 1959; with Walpole & Co, 9 Liverpool Gardens, Worthing.
White, Michael John; A.C.A., 1959; 5 Manor Drive, Surbiton, Surrey.
Williamson, Roy; A.C.A., 1959; c/o Greenhalgh, Sharp & Co, 30 Brown Street, Manchester, 2.
Wood, Allen Thornton; A.C.A., 1959; 108 Sale Road, Wythenshawe, Manchester, 23.
Wood, Peter Leslie; A.C.A., 1959; 4 Cliff Terrace, Marske, near Redcar, Yorkshire.

Elections to Fellowship

The following were elected to Fellowship:

Knight, Charles William George; A.C.A., 1953; (H. Thomas & Co), 349 Winchester House, Old Broad Street, London, EC2.
Palfreyman, Ronald Arthur, B.SC.(ECON.); A.C.A., 1953; (Gordon Emery & Co), Central Chambers, Red Lion Square, Heanor, Derbyshire, and at Alfreton, Blackpool, Derby and Manchester.
Sandford, Henry Bernard Chamberlain; A.C.A., 1950; (Creasey, Son & Wickenden), 12 Lonsdale Gardens, Tunbridge Wells, and at Chatham, London and Tonbridge.
Sprange, Reginald Sydney; A.C.A., 1952; (*Maurice Andrews & Co), Mitre House, 13/15 High Street, Sutton, Surrey.
Walton, Arthur Kean; A.C.A., 1952; (Eastwood, Townend & Co), Commerce House, Cheapside, Bradford, 1.

Use of Letters F.S.A.A.

One application from the following incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the Supplemental Charter was acceded to:

Broide, Henry; (1958); A.S.A.A., 1956; (H. Tarley & Co), Trust House, Thibault Square, Cape Town, South Africa.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Barry, Gerald Robert; A.C.A., 1958; (S. 1953); (George C. Wilkinson & Co), South House, 136 Borough Road, Middlesbrough; and at Redcar.
Binks, Redvers Gerald; A.C.A., 1958; (S. 1957); 37 Cubbington Road, Leamington Spa.
Bowder, Donald; A.C.A., 1958; (H. F. Hodson & Co), The Manor House, Manor Street, Bradford, 1.
Burden, Arthur James; A.C.A., 1951; (Beever & Struthers), 1 Cooper Street, Manchester, 2.
Calder, Michael John; B.A., A.C.A., 1959; (W. J. Calder, Sons & Co), 90 Jermyn Street, London, SW1.
Chapman, Richard Alfred; A.C.A., 1959; 'Palma Nova', Hilldale, West Town Park, Backwell, near Bristol.
Davis, Kenneth; A.C.A., 1955; 40 Emery Street, Walsall.
Davison, John Barry, B.SC.; A.C.A., 1959; (*Kenneth R. Morris & Co), 11 New Road, Bromsgrove, Worcestershire.
Farley, James; A.C.A., 1958; (S. 1938); (*Potter & Pollard), 850 Wimborne Road, Bournemouth.
Foreman, John Edward James; A.C.A., 1958; (Foreman & Hill), Liberal Club Buildings, The Acre, Windsor, Berks.
Gainsford, Alan Noel; A.C.A., 1959; (Gainsford, Elliott & Co), 17 Watchfield Court, London, W4.
Hallam, John Stuart; A.C.A., 1958; (S. 1949); 88 Glendyke Road, Allerton, Liverpool, 18.
Highton, Noel Mark Edward; A.C.A., 1938; (Noel Highton & Co), Times Building, South Street, Cockermouth, Cumberland.
Huntingford, Donald Roy; A.C.A., 1958; (S. 1949); (Clark, Battams & Co), 32 Victoria Street, Westminster, London, SW1.
Jennings, Henry Alderson; A.C.A., 1952; (Griffith & Jennings), Westmorland Chambers, 31 Stricklandgate, Kendal.
Jones, Douglas Llewellyn; A.C.A., 1958; 120 Gloucester Court, Kew, Surrey.
Lindsey, John Walter Reginald; A.C.A., 1958; (S. 1950); (Clark, Battams & Co), 32 Victoria Street, Westminster, London, SW1.
Mack, Sheila (Miss); A.C.A., 1953; (*Coates & Partners), Chantry House, 51 Church Street, Ashbourne, Derbyshire.
Marson, Francis William; A.C.A., 1938; (*Coates & Partners), Chantry House, 51 Church Street, Ashbourne, Derbyshire.
Pratt, Roger Thomas Mervyn; A.C.A., 1958; 66 Kinsale Road, Knowle, Bristol, 4.
Proud, Ronald; A.C.A., 1958; (S. 1953); (Thorne, Widgery & King), 13 Castle Street, Brecon, and at Hereford.
Shears, Frederick Charles Phiphard; A.C.A., 1959; (Gray, Stainforth & Co), De Walden Court, 85 New Cavendish Street, London, W1, and Monument Buildings, 11–15 Monument Street, London, EC3.
Simmonds, John Antony; A.C.A., 1958; (Coulthard, Thomas & Son), 10 Norfolk Street, Strand, London, WC2.
Stebbing, Frederick; A.C.A., 1958; (S. 1956); 27 Irene Road, London, SW6.
Twogood, Dennis Albert; A.C.A., 1955; (G. Grayrigge & Co), 46 Bedford Row, London, WC1, and (R. F. Farnes & Co), 159 Praed Street, London, W2.
Tyabji, Faiz Salman Badruddin, B.SC.(ECON.); A.C.A., 1959; (F. S. B. Tyabji & Co), 24 St Edmund's Terrace, London, NW8.
Warlow, John Medcalf; A.C.A., 1951; (Warlow & Fair), 49 Moor Street, Ormskirk, Lancashire
Winchcombe, Victor Matthew; A.C.A., 1952; (†Elles, Reeve & Co), 4 Bucklersbury, Cheapside, London, EC4.

Readmissions to Membership

Subject to payment of the amounts required by the Council, four former members of the Institute were readmitted to membership under clause 23 of the Supplemental Royal Charter. Two applications were refused.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Smith, Martin Hammond Cabourn to Cabourn Smith, Martin Hammond.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Harry Ashworth, A.C.A., Ashton-under-Lyne.
„ Percy Houghton Bennett, F.C.A., Warrington.
„ David William Brett, A.C.A., Norwich.
„ George William Chapman, A.C.A., Harrogate.
„ George Richan Drever, F.C.A., Kettering.
„ Kaye Duckworth, A.C.A., Deal.
„ James William Eckersley, F.C.A., Manchester.
„ Reginald Severn Ford, F.C.A., Holland-on-Sea.
„ Frederick Henry Garside, A.C.A., Sheffield.
„ Terence Sydney John Gregory, A.C.A., Dar-es-Salaam
„ Aubrey Bernard Higgins, A.C.A., Mexico City.
„ Bernard Holmes-Walker, T.D., A.C.A., Manchester.
„ John Elvet Jenkins, A.C.A., London.
„ Edwin Paul Kachel, F.C.A., London.
„ John Howard Keen, A.C.A., Whitley Bay.
„ Cheshyre, Malpas, A.C.A., Est-do Rio, Brazil.
„ William Geoffrey Massey, A.C.A., Alderley Edge.
„ Robert William Metcalf, F.C.A., London.
„ Alfred Millward, F.C.A., Rotherham.
„ Fred Nock, F.S.A.A., Halesowen.

Mr William Wilkinson Organ, F.C.A., Sheffield.
,, Leslie James Rice, A.C.A., London.
,, John Michael Chesney Rowland, A.C.A., Montreal.
,, Patrick William George Russell, A.C.A., Leicester.
,, Kenneth Reginald Lambart Sladen, F.C.A., London.
,, John Snaith, A.C.A., Leicester.
,, Dennis George Sole, F.C.A., London.
Mr Albert Edward Southern, F.C.A., Manchester.
,, Bernard Charles Albert Spinks, A.C.A., London.
,, Charles Frederic Stead, F.C.A., Bebington.
,, William Duncan Cranstoun Todd, F.C.A., London.
,, Ernest Turner, A.C.A., Southport.
,, Harry Bailey Walton, F.C.A., Bowden, Cheshire.
,, Arthur Wilfred Watson, F.C.A., Birmingham.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on September 2nd, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Ralph Shimmin, A.C.A., was at the General Quarter Sessions at St Albans held on April 6th, 1959, convicted of (*a*) one charge that with intent to defraud he delivered to an Inspector of Taxes an account of a business purporting to be a true trading and profit and loss account which was false; (*b*) one charge that with intent to defraud he delivered to an Inspector of Taxes an account of another business purporting to be a true trading and profit and loss account which was false; (*c*) two charges that with intent to defraud he delivered to an Inspector of Taxes balance sheets of the business referred to in (*b*) above at June 30th, 1955, and June 30th, 1957, respectively which were false, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Ralph Shimmin, A.C.A., had been proved and the Committee ordered that Ralph Shimmin, A.C.A., of 15 Crawford Road, Hatfield, Herts, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting Systems in Modern Business; by E. A. Johnson. New York. 1959. (McGraw-Hill, 60*s*.)

Agricultural Law and Tenant Right; by N. E. Mustoe and R. H. Wood: Fifth edition. 1959. (Estates Gazette, 105*s*.)

British Industries and their Organization; by G. C. Allen: Fourth edition. 1959. (Longmans, 25*s*.)

The Business Computer Symposium: Olympia, London, December 1st–3rd, 1958. (Sir Isaac Pitman & Sons). 1959. (Pitman, 75*s*.)

Canada: land of opportunity; by E. Westropp. 1959. (Oldbourne, 15*s*.)

Cases in Controllership; by R. H. Hassler and N. E. Harlan. Englewood Cliffs, N.J. 1958. (Prentice-Hall, 63*s*.)

The Cost of Labour Turnover. (British Institute of Management.) 1959. (B.I.M., 17*s* 6*d*.)

Cost Reduction at Work: a report of successful company practices. (American Management Association.) New York. 1959. (A.M.A., 18*s*.)

Deutsch-Englisches Glossarium Finanzieller und Wirtschaftlicher Fachausdrücke; by C. A. Gunston and C. M. Corner: Third edition. Frankfurt. 1959. (Fritz Knapp Verlag, 68*s*.)

Elements of Auditing; by R. G. Williams, F.C.A.: Eleventh edition. 1959. (Donnington Press, 17*s* 6*d*.)

Enactments and Orders concerning Savings Banks in the United Kingdom, the Channel Islands and the Isle of Man; by C. L. Lawton, A.C.A., 2 volumes. 1959. (Savings Banks Institute, 60*s*.)

Financial Management; by R. W. Johnson. Boston, U.S.A. 1959. (Allyn & Bacon, 63*s*.)

How to Finance Your Business. (Shaw Publishing Co.) 1959. (Shaw Publishing, 3*s* 6*d*.)

How to Pay Less Income Tax; by H. Toch. 1959. (Museum Press, 18*s*.)

How to sell successfully by Direct Mail; by J. W. W. Cassels: Third edition. 1956. (Business Publications, 30*s*.)

Income Tax Act Annotated . . . 1959; by H. H. Stikeman. Toronto. 1959. (De Boo, 50*s*.)

Income Tax and Company Law in South West Africa; by D. Shrand and E. Zwarenstein. Cape Town. 1958. (Legal & Financial Publishing, 45*s* 6*d*.)

Law of Property in Land; by H. G. Rivington: Fifth edition; by E. S. Green and R. A. Donell. 1959. (Law Notes Publishing, 45*s*.)

Legal Aspects of Foreign Investment; by W. G. Friedmann and R. C. Pugh. Boston, U.S.A. 1959. (Little, Brown & Co, 152*s*.)

Linear Programming: methods and applications; by S. I. Gass. New York. 1958. (McGraw-Hill, 52*s* 6*d*.)

The Local Government Act, 1958; by H. Parrish. 1959. (Butterworth, 27*s* 6*d*.)

The 1959 Income Tax Legislation . . .; by A. S. Silke. Cape Town, 1959. (Juta, 16*s* 6*d*.)

Powers of Attorney: a manual on the law and practice. (Chartered Institute of Secretaries): Eighth edition. 1959. (Heffer, 21*s*.)

Principles of Administrative Law; by J. A. G. Griffith and H. Street: Second edition. 1957. (Pitman, 40*s*.)

Rating-Compounding Allowances and Discounts: a research study; by L. S. Beswick, D. Broadhurst and others. 1959. (Institute of Municipal Treasurers and Accountants, 25*s*.)

Shaw's practical guide to Valuation for Rating. (Shaw & Sons.) 1959. (Shaw, 30*s*.)

Statistical Sources for Market Research. (Market Research Society.) 1957. (M.R.S., 10*s* 6*d*.)

Statistics: Twelfth edition; by A. R. Ilersic. 1959. (H.F.L., presented, 30*s*.)

Notes and Notices

PERSONAL

MESSRS JOHN STUBBS, PARKIN & CO, Chartered Accountants, of Liverpool and Market Drayton, announce that as from October 1st, 1959, they have admitted into partnership Mr TIMOTHY ROBERTSON, A.C.A., A.A.C.C.A. The style of the firm will remain unchanged.

MESSRS ALFRED LABAN, SON & CO, Chartered Accountants, of 25–27 Oxford Street, London, W1, and at Harrow, announce that as from September 28th, 1959, they have taken into partnership Mr MICHAEL A. LAMBERT, A.C.A., who will be principally connected with their London office. The name of the firm will remain unchanged.

MESSRS GREENHALGH, SHARP & CO, of 30 Brown Street, Manchester, 2, announce that Mr H. S. THORPE retired from the firm on October 5th, 1959, after an association extending over forty-eight years. As from October 6th, 1959, the remaining partner Mr JACK SEAL, F.C.A., has taken into partnership Mr FRED WHITE, A.C.A., who has been a member of the staff for many years. The practice will continue at the same address under the name of GREENHALGH, SHARP, & CO, Chartered Accountants.

MESSRS BUTLER & WILSON, of Lloyds Bank House, 215 High Street, Hounslow, announce that Mr M. F. BUTLER and Mrs M. E. COYNE will retire from the firm on October 31st, 1959. Mr. K. H. FARR, A.A.C.C.A., will continue the practice and will be joined in partnership by Mr J. W. LANGMEAD, F.A.C.C.A., on November 1st, 1959. The name of the firm will remain as BUTLER & WILSON for the time being.

PROFESSIONAL NOTES

Mr John H. Strathie, C.A., has been appointed to the board of United Fireclay Products Ltd.

Mr K. W. Spreckley, A.C.A., vice-chairman of British Extracting Co Ltd, has been elected a director of British Oil & Cake Mills Ltd and has also become area manager of the company's Scottish and Northern Ireland branches.

Mr F. V. Thompson, A.A.C.C.A., F.C.I.S., has been appointed director of personnel, British Insulated Callender's Cables Ltd, and has relinquished his position as secretary of the company.

Mr J. P. Hourston, B.COM.(LOND.), C.A., assistant secretary of British Insulated Callender's Cables Ltd, has been appointed secretary of the company.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute, Moorgate Place, London, EC2, on Tuesday, October 27th, at 6 p.m., when Mr A. R. English, A.C.A., will speak on 'What the investment analyst would like to see in company reports and accounts'.

NORTH LONDON DISCUSSION GROUP

The first meeting in the 1959–60 session of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, London, WC1, on Wednesday next, at 6 p.m., when Chief Inspector Carter, of New Scotland Yard, will lead a discussion on 'The work of the fraud squad'.

The honorary secretary of the group is Mr D. Brendan Parke, A.C.A., 22 Long Ridges, Fortis Green, London, N2.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The autumn meeting of the Chartered Accountants' Golfing Society was held at the Berkshire Golf Club on Friday, October 2nd. Fifty-five members took out cards. The results were as follows:

STABLEFORD MEDAL

P. Lynn (20)	25+17·4/8ths=42·4/8ths
Wins first prize.	
H. C. Staines (6)	32+ 5·2/8ths=37·2/8ths
Wins second prize and scratch prize.	
D. W. Gibson (7)	30+ 6·1/8th =36·1/8th
A. B. Green (9)	28+ 7·7/8ths=35·7/8ths
A. W. Coleman (13)	24+11·3/8ths=35·3/8ths
P. C. Barber (16)	21+14 =35
H. P. Patterson (20)	17+17·4/8ths=34·4/8ths
G. Morgan (16)	20+14 =34

STABLEFORD FOURSOMES

E. E. W. Mullett (10) and A. Milling (20)	36 points
Wins first prize.	
H. Lemmon (11) and R. A. Daniel (10)	32 ,,
Wins second prize	
J. T. Isherwood (9) and D. G. Richards (7)	30 ,,
T. E. Breakell (12) and J. Shaw (8) ..	30 ,,

TURQUAND–YOUNG CHALLENGE CUP

Best aggregate of summer meeting at Hadley Wood Golf Club and autumn meeting at Berkshire Golf Culb.

P. Lynn (20)	39·2/8ths+42·4/8ths=81·6/8ths
A. W. Coleman (13)	34·3/8ths+35·3/8ths=69·6/8ths
Runner-up	

SINGLES TOURNAMENT

D. J. Hedges (6) beat S. Pleydell-Bouverie (18) by 3 and 2 over 36 holes in the final round.

A. O. MILES CHALLENGE CUP

Messrs Hays, Akers & Hays beat Messrs Futcher, Head, Smith & Co, by 9 and 7 in the final round over 36 holes.

OXFORD CHARTERED ACCOUNTANTS' GROUP

The meeting of the Oxford Chartered Accountants' Group on Tuesday, November 3rd (announced in September 5th issue), is to be held at 6.30 p.m. at The Kemp Green Room, Boswell House, Broad Street, Oxford, when there will be a discussion on 'Taxation' at which a panel of tax Inspectors will reply to members' questions.

Two further meetings, one on 'Pensions and pension funds' on December 1st, and the other, a brains trust, on January 5th, 1960, will take place at *The Royal Oxford Hotel*, Oxford at 6.30 p.m.

INTERNATIONAL FISCAL ASSOCIATION

Annual Congress in Madrid

About 400 members attended the thirteenth annual congress of the International Fiscal Association held from September 28th to October 2nd in Madrid. Most European countries were well represented, and in addition there were members from Latin and Central America, Cuba, Egypt, India, Israel, Japan and U.S.A

The subjects of the papers before the congress were: (i) Verification of tax liability; its legal psychological and economic aspects. (ii) Tax measures designed to facilitate the international movement of capital. (iii) Unilateral measures for the avoidance of double taxation.

Strong views were expressed by continental speakers on the first subject. The general theme was that tax administration must have greater respect for the rights and privileges of the taxpayer, and that greater emphasis should be placed on the need for mutual trust and co-operation between the administration and the taxpayer. The adverse psychological results, on tax collection, of arbitrary and inequitable action by Revenue authorities was instanced and emphasized.

During the discussion on the second subject, it became obvious that the problem of the tax rights of the country of source and the country of residence is still incapable of a simple solution. Delegates from underdeveloped countries emphasized their interpretations of the prior right to tax, while European and American delegates spoke of the need for underdeveloped countries to avoid taxation on dividends or to limit such taxation to moderate levels. The interaction of tax-incentive measures by the country of source on the country of residence was also discussed, and the alternatives open to the latter – tax exemption, reciprocity for pioneer industry reliefs, or tax credits, were mentioned.

British national reports were available on all three subjects, on the first by Mr N. D. Ashley, on the second by Mr A. G. Davies, and on the third jointly by Mr K. T. Newhouse, B.SC.(ECON.), A.C.A., and Mr J. C. McBurnie. The United Kingdom Branch, led by Mr C. W. Aston, A.C.A., was well represented at the congress.

The next congress will be held at Basle in September 1960 when the subjects for discussion will be the tax treatment of capital gains, the interpretation of double tax conventions and the treatment of interest in international taxation.

The secretary of the United Kingdom Branch is Mr O. Brooks, 122 Leadenhall Street, London, EC3, from whom particulars about the activities of the Branch and further information about the work of the Association can be obtained.

VOLUNTARY WORKERS IN EAST LONDON

The Warden of Toynbee Hall, Mr A. E. Morgan, reports that the response to the appeal made earlier this year by the Lord Mayor for more voluntary social workers in East London, has been most encouraging. One hundred and fifteen offers of help from men and women working in the City have so far been received, and although no detailed follow-up has yet been done it would appear that most of these volunteers have been happily settled into voluntary social service of various kinds.

The good response to the appeal has meant that twenty-six social organizations in East London, both statutory and voluntary, have benefited, and for some organizations the need for voluntary help has been met completely. Even with organizations like the Stepney Old People's Welfare Association, where an almost unlimited number of voluntary workers can be used, it has been possible to provide a sufficiently large number to meet the most urgent needs.

The majority of those who have offered service are men and women in the early twenties without family ties, but there has also been a good response from professional men and others in senior positions whose help with youth club management committees, citizens' advice bureaux etc., is of great value.

In addition to work with young people and with the aged, volunteers have come forward to help organizations concerned with the welfare of the sick, the blind and the mentally handicapped. A lady living in Bulawayo, Southern Rhodesia, read the Lord Mayor's letter in *The Accountant* (April 4th, 1959 issue) and wrote to offer her services in organizing a pen-friend chain between young people in Bulawayo and in East London. This offer was taken up by a secondary modern school in the dock area of Stepney.

With two exceptions all those who offered service could give time only in the evenings, and although many of the firms approached have taken steps to bring the appeal to the notice of employees who have recently retired, it has not been possible so far to meet the demand for day-time help for such services as meals-on-wheels for the house-bound, hospital out-patient canteens and trolley shops and assistance for hospital almoners, visiting, shopping, escort and transport for the blind, sick and mentally handicapped. Offers of help in these directions should be communicated to the Warden of Toynbee Hall, Commercial Street, London, E1.

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THE ACCOUNTANT

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CONTENTS

Functional Accounts?

EVEN if the growth of the accountancy profession in recent times owes much to the prevailing complex structure of taxation, the accountant is entitled to protest against the somewhat *simpliste* view still current among many business men that his primary function is to minimize their tax liabilities. Important as tax work and auditing are within the profession, an increasing proportion of the newly-qualified men are nowadays finding their way into industry. This absorption by industry is both the cause and a result of the growing importance of management accounting. There is developing a new body of ideas concerning the role of the accountant in management; or to put it more precisely, the application of accounting principles to the problems of management and industrial control. It is a sign of the times that the English Institute in its new *Members' Handbook* should have decided to include a section on business efficiency and the contribution which the accountant can make in this field.

The Institute has recognized the dynamic character of this subject and has implied that the publication of its handbook notes is designed to stimulate thinking. That there is as yet no single body of universally accepted accounting techniques applicable to management does not imply any failure on the part of the profession; rather do the published papers appearing on both sides of the Atlantic indicate that many accountants are engaged in a serious reappraisal of the contribution the profession can make to the study of industrial economics.

A recent contribution to this discussion is reproduced on other pages of this issue. Its title 'The measurement and utilization of capital employed' is perhaps a little misleading, for its author, DR J. M. S. RISK, ranges far beyond the mere discussion of computing the capital employed in any business. The particular merit of his paper is that it contains the nucleus of contributions on at least three different aspects of the accountant's work. The first consists of reflections on the function which accounting statements are designed to perform. The evolution of the limited company and not least the emergence of the small investor have dictated the legal requirements which published accounts must satisfy. The so-called concept of stewardship in this context is of the utmost importance. It is pertinent to observe that *The Accountant* may take justifiable pride in the success which has attended its own efforts to improve the form of published accounts. All the indications are that recent events in the City will heighten the importance of this aspect of the accountant's work. Yet this, as DR RISK implies, is only one of the many functions that

accounting statements must perform. And, as he rightly asserts, what may satisfy one purpose may fail to meet another.

The measurement of profit is fundamental in accounting work. It may reasonably be asserted that the primary function of any business undertaking in private hands must be the earning of profits. DR RISK regards profit as the difference between the cost of resources used and the value of the goods produced. This emphasis on what the economist would define as resource allocation and the end-product is partly obscured by the translation of real resources into money terms. Nevertheless, the author is correct in pointing out that as long as accountants stick to historic cost, the fluctuations in the measuring rod of values do not affect the determination of profits as he has defined them. When, however, the same accounts are to be used for other purposes such as the valuation of the business, then the problem of inflation must be met. DR RISK suggests that the impact of inflation or any other distorting influences on the business should be separately dealt with in a supplementary statement to the accounts. In principle, this is much the same as the Institute's solution to the problem of historic versus replacement cost, or for that matter, any windfall or non-recurring item.

Quite apart from the conventional adjustments to the figure of profits, e.g. the elimination of non-recurring items to permit comparisons of yearly performance, DR RISK suggests that the attempt should be made to analyse it by reference to the source of that profit. For example – he cites the case of Krupps' financial methods and their classification of 'monopolist' and 'innovator's' profits. This is no more really than an adaptation of the frequently employed technique of breaking down profits to allow for capital employed and managerial remuneration in death duty valuations, etc. Nevertheless, to many readers such ideas will seem fanciful or revolutionary according to taste. On the other hand, if what has been described by some accountants as 'forward looking' accounting, i.e. the development of accounts to estimate future trends in costs and revenue, is to be developed as a tool of management then such ideas must be seriously considered. The increasing importance and widening application of operational research methods demand accounting techniques suitable to the 'computer' age of industrial control.

The final theme in DR RISK's paper is the measurement of capital employed, for it is only in relation to this figure that the profitability of any business can be measured. This is a point which has been all too often overlooked in recent years when boards of directors found it easy to retain what MR SAMUEL once pointedly described as 'shareholders' money'. It would make a fascinating statistical exercise to calculate the rate of return earned on retained profits, compared with the rate earned on capital borrowed from outside the business by British companies since 1945. From the community's, as well as from the shareholders', point of view, the test of whether profits should be retained or distributed is whether they can be more profitably employed within the company or by the shareholder investing them outside. Such an evaluation of the relative profitability of different channels of investment and the rate of return on current assets is insufficiently employed by both firms and shareholders alike. In estimating the 'capital employed' DR RISK follows the conventional procedure except for his suggestion that stocks, like fixed assets, should be included at cost. This has the merit of consistency although his reasons for using the figure of written-down fixed assets instead of assets at cost for measuring the rate of profit against capital employed will not entirely convince every reader.

A reading of the various contributions on this aspect of accountancy from both sides of the Atlantic suggests that some considerable attention is being paid to the thesis of MARY PARKER FOLLET that professional men should not merely practise their profession; they must expand the knowledge upon which the profession is based. In a profession which is so eminently practical in character, the furthering of knowledge is far from easy. The attempt to evolve a body of principles extending beyond the basic fundamentals of double entry undoubtedly appears to many accountants as the mere spinning of words. It is important to realize that in accountancy, just as in any other subject which can claim in any degree a scientific basis, members of the profession must expand those principles and extend their application into wider fields. To stand still is merely to decay.

Allowances for Machinery and Plant

by T. J. SOPHIAN

THE Finance Act of 1959 has made certain changes with regard to initial and investment allowances in relation to machinery and plant.

The question whether any article ranks as 'machinery' or 'plant' is largely a question of fact. There does not appear to be any statutory definition of these words. That, perhaps, is not surprising since the Courts themselves have declared that it is impossible to provide any adequate definition. As Lord Evershed, M.R., said in *Hinton v. Maden & Ireland Ltd* (37 A.T.C. 317): 'I do not think that, however many cases or dictionaries were looked at, you can proceed to substitute for that short parliamentary formula [machinery or plant] a precise set of words which will provide the answer to this problem. . . . The question . . . is largely, if not entirely, a matter of degree and, therefore, of fact.'

In the above case, Sellars, L.J., appears to have approved the definition in *Wyld's Universal English Dictionary* of the word 'plant' as 'complete mechanical equipment or apparatus machinery, implements, etc., necessary for carrying on some specific industrial operation'. It was the purpose to which the particular article or part of the article was being put which was one of the relevant factors to be considered. The size, weight, strength or weakness, durability or length of serviceable use of the article was not so important. Knives and lasts used in machines for the manufacture of shoes and slippers were accordingly held to constitute plant in that case, notwithstanding that their working life was of short duration (between twelve months and three years) and notwithstanding that they were used in machines, which themselves quite clearly constituted 'machinery or plant'.

So much for the meaning of 'machinery or plant', but for those who may be desirous of making further researches, reference might be made to *Hyam v. C.I.R.* (8 A.T.C. 275; 14 T.C. 479); *Watts v. Enfield Rolling Mills (Aluminium) Ltd* ([1952] 1 All E.R. 1013); *John Smith & Son v. Moore* (3 A.T.C. 377; 12 T.C. 266); *Daphne v. Shaw* (6 A.T.C. 21; 11 T.C. 256).

Let us deal now with the various allowances which may be obtained in respect of machinery or plant.

Investment Allowance

If the machinery or plant is new, that is to say, brand new and not second-hand, a capital allowance of 20 per cent of the cost will be allowed. This allowance is given once, in the same way as the other capital allowance, the initial allowance, but unlike the latter, it will be completely disregarded in calculating the annual allowances and any balancing allowance or charge that may arise subsequently, on the sale or replacement of the old machinery or plant.

Initial Allowance

In the case of new machinery or plant, the initial allowance will be 10 per cent, and it will be in addition to the 20 per cent investment allowance. If the machinery or plant is second-hand, then no investment allowance will be given; but the initial allowance will be 30 per cent. The result, therefore, is the same whether the machinery or plant is new or second-hand, subject, however, to this important qualification, that an advantage will be obtained in the case of new machinery or plant; since all the subsequent allowances, whether annual or balancing, or the subsequent balancing charge, if any, will be calculated on a higher basis, the investment allowance being ignored for all these purposes.

Annual Allowance

The basic rate of the annual allowance with regard to the particular machinery or plant may have been agreed between the trade and the Inland Revenue. If it has not, it must be calculated on the basis directed by Section 281 (3) of the Income Tax Act, 1952.

The operative working life of the particular machinery or plant must first be determined, and 90 per cent of the cost must be spread over that period. Note the concluding words of subsection (3), cause the cost of the machinery or plant in question, at the end of its anticipated normal working life 'to be written down to 1/10th thereof'. In applying that basic per-

centage rate, 5/4ths thereof must be taken (Section 281 (1) (*b*) of the Income Tax Act, 1952).

Thus, for instance, if the basic rate is 10 per cent the actual percentage to be applied to the written-down value would be 5/4ths × 10 per cent = $12\frac{1}{2}$ per cent.

Example: new plant

Cost of *new* plant		£1,000
Investment allowance 20 per cent of £1,000	£200	
Initial allowance 10 per cent of £1,000	100	
Annual allowance for first year at 10 per cent basic rate $=\frac{£1,000\times 5}{10\times 4}$	125	
	£425	

The total allowances for the first year, therefore, will be £425 but, as the investment allowance (of £200) has to be disregarded, the written down value for the second year will be £1,000—£100 (initial allowance) plus £125 (first annual allowance) = £1,000 — £225 = £775.

The annual allowance for the second year, therefore, would be $\frac{£775\times 5}{10\times 4}$ = £96 17*s* 6*d*.

Accordingly, for the third year the written-down value would be £775—£96 17*s* 6*d* = £678 2*s* 6*d*, and the annual allowance would be $\frac{£678\ 2s\ 6d\times 5}{10\times 4}$ and so on.

Example: second-hand plant

Cost		£1,000
Initial allowance 30 per cent of £1,000	£300	
Annual allowance for first year $\frac{£1,000\times 5}{10\times 4}$	125	
Written-down value	£425	425
		£575

The annual allowance for the second year would be $\frac{£575\times 5}{10\times 4}$ = £71 17*s* 6*d* and so on.

Balancing Charges and Allowances

A balancing charge or allowance, as the case might be, would arise in any of the events specified in Section 292 of the Income Tax Act, 1952, such as, for instance, the sale of the machinery and plant.

Whether the taxpayer becomes entitled to a balancing allowance on the one hand, or liable to a balancing charge on the other, will depend on whether the total of the allowances received by him to date *plus* the resale price of the machinery and plant, falls short of, or exceeds, the original cost. In the former case he will be entitled to a further balancing allowance; in the latter, he will be liable to a balancing charge.

Example of balancing allowance

Original cost of machinery and plant ..		£1,500
Allowances received to date, say ..	£500	
Price received on resale of machinery or plant	600	
	£1,100	1,100
Deficiency		£400

The trader would be entitled to a balancing allowance on £400.

Example of balancing charge

Original cost		£1,500
Allowances received to date ..	£1,000	
Resale price	1,000	
	£2,000	

Here there is an excess of £2,000—£1,500 = £500 over the original cost.

The trader would be liable to a balancing charge in respect of £500.

Replacement of Old Machinery or Plant

Where other machinery or plant is bought by way of replacement of the old, the trader enjoys an election.

He can treat each transaction as separate or else, if he is liable to a balancing charge, he may make an election under Section 296 of the Income Tax Act.

If each transaction is separate, then the trader would be entitled to a balancing allowance or liable to a balancing charge in respect of the old machinery and plant as the case might be, and he would start afresh with the calculation of his capital and annual allowances in respect of the replacements without having any regard to the old machinery and plant. Thus if he was entitled to a balancing allowance of £500 in respect of the old machinery and he buys new machinery for £1,000, he would receive, in addition to the £500 balancing allowance, the following allowances in the first year:

20 per cent of £1,000 – investment allowance	£200
10 per cent of £1,000 – initial allowance ..	100
1/10th × 5/4ths per cent of £1,000 – annual allowance	125
	£425

and so on.

And he would receive the same allowances for

the replacements even though he might be liable to a balancing charge in respect of the old machinery.

Effect of Election under Section 296

Provided that he gives due notice, exercising his election under Section 296, his position will depend on whether the balancing *charge* in respect of the previous machinery or plant (*a*) is greater than the cost of the replacement; or (*b*) is equal to, or less than, such cost.

(a) Balancing charge greater

If the balancing charge is greater than the cost of the replacement, the balancing charge will be reduced to the amount of the excess of the charge over the cost of the replacement.

Example

Balancing charge	£1,500
Cost of new machinery	1,000
	£500

The balancing charge will be reduced from £1,500 to £500.

(b) Balancing charge equal to, or less than, cost

Where the balancing charge is equal to, or less than, the cost of the replacement, the balancing charge will be wiped out; but the cost of the replacement, for the purpose of the calculation of the new allowances in relation to it, will be reduced by the amount of the balancing charge being wiped out.

Example

Cost of replacement	£1,500
Balancing charge	500
	£1,000

The basic figure for the calculation of the allowances for the replacements will be £1,000 and not £1,500.

Accordingly the allowance for the first year will be:

Investment allowance 20 per cent	£200
Initial allowance 10 per cent of £1,000 ..	100
Annual allowance £1,000 × 5/4ths × 1/10th ..	125
	£425

and so on.

Other People's Money

by E. R. YARHAM, F.R.G.S.

WHEN, during his Commonwealth tour, the Duke of Edinburgh visited Malaita Island in the Solomons, the people there presented him with six feet of money – a rather cumbersome form of wealth since it consisted of a string of shells. Later he saw shells being ground down to fixed shapes, and these pass in exactly the same way as ordinary coinage does elsewhere.

Such strange coinage can become more than a little awkward to circulate since it is measured in length. A pig may cost thirty lengths or a small basket of fish fifteen lengths. It is sometimes stored in large coils of anything up to 600 fathoms, and in times of war between various tribes the women carried away this wealth and hid it.

As a medium of exchange, shells have been used from the earliest times by natives in parts of the Pacific, Africa, America, Asia, and Australasia, so that their employment has been almost universal. Such popularity was due to their convenience, but nowadays, except in remote communities and isolated islands, their use is steadily passing. Five thousand cowrie shells are worth only one Indian rupee, say, one shilling and sixpence.

Hard Cash

Another of the islands in the Solomon group used the teeth of the porpoise as money, and in one district of New Guinea the bent tusks of boars served the same purpose. In Fiji, whales' teeth were literally hard cash.

Then, a few years back eight discs clattered out of a packet which the postman delivered at Broadcasting House. A letter explained that they represented 'one year's subscription to the British Broadcasting Corporation's overseas programme sheets'. The letter was signed 'J. Clunies Ross', head of the paramount family in the Cocos-

Keeling group of islands in the Indian Ocean. As owner of the group he issued his own cash.

A good many other varieties of queer money could be listed. Indeed, books have been written on the subject, and museums filled with samples. One wonders whether what was regarded as one of the world's most remarkable monetary exhibits survived the Second World War. This was to be seen at Kloster Chorin, a town to the west of Berlin.

Here was a museum of money with more than three thousand exhibits covering a period of four thousand years. It contained 'coins' of astonishing variety, of which it is true to say the average person had no idea so many existed. The collection included dogs' eye-teeth used in New Guinea, fur money from North America, brasswire money, and money made of leather, glass and porcelain.

Coconuts and Mill-stones

Two other notable collections of curious cash can be seen in the United States. One is in the Smithsonian Institution (the most celebrated home of learning in the American continent), at Washington. The strange exhibits here include: ivory from Africa, necklaces, shells, bright feathers, axes, spearheads, fish-hooks, blocks of salt, blocks of pressed tea and tobacco, all sorts of skins, glass bottles, coconuts, eagle feathers, whale teeth, porcupine quills and teeth, tails of animals, red hair from behind the ear of the flying fox, stone and clay beads, mill-stones of yellow limestone, hoes and spades, crosses of copper, ingots of iron, and buffalo robes.

The other collection is in the Chase National Bank, New York. Among its specimens of 'money' are bricks of compressed tea, a woodpecker's scalp, condensed milk, liquorice-soaked tobacco, and grass mats. This extraordinary collection also includes a clay bill used in Babylon five thousand years ago, and a piece of some of the world's largest money – a 31 lb. copper slab, two feet long and a foot wide, once worth the equivalent of 35*s* – which compares strangely with a south Indian gold coin, no larger than a pinhead and weighing one grain.

Cheque Cancelled by Machine Gun

Mention of the Chase National Bank also recalls that in the spring of 1937, Homer Wallin and Henry Schade walked into Cleveland Trust Company and cashed a solid steel cheque the size of a headstone. The teller handed over 7,500 dollars without hesitation and called the bank guards who picked up the cheque, carted it out and 'cancelled' it with sub-machine gun bullets.

Actually there was nothing strange about the incident. The cheque was the first prize in an arc welding contest; the bank had been forewarned and, after all, iron money had a long and respectable past. The Chase National Bank now has the 'cheque' in its 'Collections of the moneys of the world', together with such further items as a wooden nickel and a 100-pound stone worth – on the island of Yap – 10,000 coconuts or one wife.

Indeed, this Pacific island of Yap had, until the Second World War, what is usually acknowledged to be the most curious currency on earth. It was known as 'fei', and some of the stones were twice the height of a man and weighed at least two tons. They would buy whole villages but were never sold and are heirlooms to this day. If a transaction involved a fei too large to be moved conveniently, the new owner merely put his mark on it and left the stone in his neighbour's yard.

A good story is told of an islander who was rich in Yap money although his wealth lay at the bottom of the sea. What happened was this: while his ancestors were bringing a number of stones to Yap, their ship sank and the stones with it. But, as there had been witnesses to the fact that this money had been there, that was thought to be enough. Nobody bothered that the owner could not put his money on show in his own back-yard. Everybody knew where it was.

Rolling in Money

Early settlers in New England resorted to all kinds of devices for coins, using lead-like pieces of winkle shells valued at six beads a penny, and then musket balls valued at a farthing each, though no one was obliged to take more than twelve pennyworth in a single transaction! This was the first regulation by the colonies relating to currency. Three hundred years back the people began minting pine-tree shillings. To vary the picture the engraver made a tree which was obviously not a pine, so the colonists named it an oak or a willow.

Hawthorne, in his tale of the *Great Carbuncle*, made the rich merchant, Ichabod Pigsnort, who possessed a large quantity of pine-tree shillings, roll twice a day among his coins so as to enjoy his wealth to the full. From that peculiar exercise arose the familiar phrase employed to denote a particular person's affluence.

The Measurement and Utilization of Capital Employed–I

by JAMES M. S. RISK, B.Com., Ph.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M.

IT is not the purpose of this paper to seek to establish a set of principles which can be applied in all circumstances, but it will be helpful if the framework on which the paper is built is set up at an early stage.

Accordingly, one may say that the main purpose of accountancy is to compare the cost of resources used up with the value set by the community on the goods and services produced.

If this purpose is accepted, it would seem to follow that the resources used up are those which have in actual fact been used up. This may seem an unnecessary statement of the obvious, but it is important in the development of subsequent proposals.

For when we come to measure the return on money invested, it will be logical to take the resources consumed (including the use of fixed assets) at the money figures which these resources have cost the company; whether the cost of resources which might be used by the company next year may cost more or less. It is suggested that for present purposes we are concerned with what *is* and not what *may be*.

Dr James M. S. Risk

Purpose of Accounting Statements

Variety of Statements

Statements of accounts may be needed for different purposes. One set of accounts, or one basis of preparation will not satisfy all purposes.

Nowadays there is a number of 'interested parties' and statements prepared on a different basis may be needed for several of them. It does not seem right to go on believing that a set of accounts prepared on one basis only (or on a mixture of bases) can serve all purposes equally well. The rule should be: one statement; one purpose.

Purposes of Statements

What are the purposes which accounting statements may serve? Do they include the following?

(1) an assessment of the amount which may be prudently distributed to the shareholders;

(2) a calculation of the profit made during the year; compared with that of other years;

(3) statements showing how the proprietors' or shareholders' funds are being safeguarded and in what manner they have been disposed;

(4) a valuation of the business as it would appear to the directors if they wished to sell it;

(5) the value of the business or of any parts of it as seen by someone who might buy it and either:

  (*a*) continue to use the assets for the same purposes as heretofore; or

  (*b*) use some or all of the assets for different purposes;

(6) to show the value to a private shareholder or prospective investor of his investment as indicated by the current level of dividends and the stock exchange price of the shares;

(7) to show what return has been earned:

  (*a*) on the capital provided by the shareholders (or a parent company);

  (*b*) on the net worth;

  (*c*) on the net worth plus long-term borrowings:

  (*d*) on the total assets employed;

  (*e*) on total assets less cash and liquid investments;

  (*f*) on the physical assets used (fixed assets and stocks);

(8) is the purpose to compare the results with those of some other company in the same group or industry; or in some other industry?

(9) or is the purpose to show whether a company has an adequate supply of physical plant and machinery of recent date to continue profitably in the future; is the stock of so-called real capital being maintained? Can the company finance the future?

Can one set of accounts serve all these purposes well?

Past, Present and Future

The Past: Results Achieved

The purposes for which statements of accounts are

The first part of a paper presented during the tenth annual summer school of The Institute of Cost and Works Accountants held in Cambridge from September 21st–26th, 1959.

needed are affected by the viewpoint in time: past, present or future. It may be that much of the current argument arises because of the attempt to combine two or all of these viewpoints in one accounting statement.

It was suggested that the purpose of accountancy was to compare the cost of resources used up with the value set by the community on the goods and services produced. To satisfy this purpose we look to the past, to see what has happened. Here we are not concerned with the present or the future.

If it is correct to take the actual cost of the resources used up, it would be consistent to take the relevant unconsumed portion of actual costs of fixed assets along with the actual costs of materials and other supplies.

So, the measurement of efficiency, as reflected by the return on investment, can find a satisfactory basis when accounting statements are viewed as a reflection of the past and are prepared on the basis of actual costs.

The Present: Valuations

Having satisfied the need to measure the efficiency of past operations, there may well be a desire to know the worth of a business at the present time; to know whether the effects of inflation or other causes have brought about an increment in value of a company's assets; a potential profit which may or may not be easy to realize.

Here there is free rein for those who wish to revalue fixed assets; for those who may think there is adequate reason for inserting a new figure for goodwill because of a high profit earning capacity. By all means let this be done.

But should it not be done by way of a supplementary statement? In such a statement, trade and other investments would be stated at market values, while other assets would be assessed according to what they could be sold for, or at what they would seem to be worth to an outside buyer. Professional valuers would be employed as required.

Those companies which wish to provide the fullest information might give some thought to the publishing of additional information on the following lines.

	Amount	*Value per £1 ordinary share*
1. Book value of assets based on cost and unexhausted portion of fixed assets (as shown by audited balance sheet)	x	x
2. Valuation of assets, on bases to be stated (some assets may be at less than book figures)	x	x
3. Stock exchange price and corresponding value.	x	x

It is assumed that provision is made for payment of liabilities and repayment of preference and loan capital before striking the figure for each £1 of ordinary share capital.

The Future: Financial Policy

A prudent financial policy naturally leads to the conservation of resources and the retention of large portions of profit to finance future replacements and possibly expansion. Few would wish to quarrel with such a policy. But it is submitted that for the projection of future financial requirements it should not be, and is not, necessary to tamper with the measurement of profit and the return on investment; these relate to the past and should not be shuffled about to try to reflect the effect of events which may or may not happen in the future.

Would it not be a wise thing to make a forecast of trading results and financial needs for a number of years ahead? The extra finance required, if any, would then be a key figure in the construction of a logical financial plan for a number of years ahead.

The Principle of Continuity

In the twentieth century more and more joint stock companies are celebrating periods of existence of fifty, a hundred or more years of successful work. Is there any general reason to assume that such companies will go into liquidation a month after the date of each annual accounting date? Surely not. Yet the feeling lingers on that in assessing the figure for assets in a balance sheet one should almost consider what the assets would realize were the company liquidated the day after the financial year-end.

That there may be a difference between the value of assets as a going concern and on a break-up basis is not denied. In the case of a particular textile works, an inquiry was made as to whether or not the real asset value of fixed assets was not higher than the balance sheet figure of £742,000. The chairman of the company, E. V. Industrials Ltd, pointed out that 'dyeing and finishing works were seldom of much use for anything else and instanced that the fire insurance valuation of the main works – primarily based on replacement value – worked out at about £1½ million; while in determining what might likely be obtained if sold by auction, the minimum estimated break-up figure was £190,000.'[1]

If there is some reason for wishing to assess the value of a concern on a break-up basis, should this not be prepared as a separate statement? Is it likely that such a statement would be needed more often than once every fifty years or so?

As Owen has put it: The going concern approach assumes that 'the business entity has continuity of life and that the periodic accounting reports serve simply as test-readings on the continuous stream of economic activities of the enterprise.'[2]

Recapitulation

If it be accepted that the main purpose of accountancy is to measure the utilization of resources against the value of output, rather than to try to assure profits in

[1] *The Accountant*, June 27th, 1959, page 760.
[2] *N.A.A. Bulletin*, June 1958, Section 1, page 70.

future years, then it seems logical to compute profits on an 'actual cost' basis and to relate such profits to capital invested on the basis of 'actual cost' of assets employed. Should this proposition receive general agreement a number of other problems become simple or may indeed disappear altogether.

Further, it is suggested that any valuation of a company's shares should be given in a separate additional statement; and as regards provision for continuity in the future, the appropriation account is the place for prudence.

To summarize the argument at this stage we may state it thus:

TIME	TYPE OF STATEMENT	PURPOSE
PAST:	Return on investment based on assets at cost or unexhausted portion of fixed assets; depreciation based on cost of fixed assets.	Measures financial success of a company. Assists in measuring effectiveness of management.
PRESENT:	Assets stated at current values; liabilities deducted at amounts to be paid. Compared with stock exchange price and value.	Shows whether on *asset basis*, stock exchange price is higher or lower.
FUTURE:	Forecast of trading results and cash requirements for stated number of years ahead.	Reveals adequacy or otherwise of present cash flow (Retained profit plus depreciation). Shows whether more profit should be retained or fresh capital raised.

MEASURING THE CAPITAL EMPLOYED

Assets

Investments

The definition of accountancy stated earlier referred to the resources used up and the values produced in relation to the assets employed. It is implied that the concept relates in the general case to a single trading unit, providing and selling goods or services. Therefore, money invested outside the business in some other enterprise should not be reckoned as part of the capital employed for the main enterprise. It follows that income from the external investment should be excluded from the figure of profit.

Admittedly for the general external investor the return on his money is the total profit in relation to what he has advanced, whether the income arises from the normal operations or from the external investment of retained profits. In this case, the return should be shown in two parts; firstly on the main activity after excluding the investments and secondly on the external investments themselves. The average return should also be given.

Goodwill

It is considered that goodwill should be excluded from the asset base. This view is accepted as being generally correct by the Technical Research Committee of The Association of Certified and Corporate Accountants.[1]

Patents and Trade-marks

Expenses incurred in obtaining patent rights and trade-marks may well be written off soon after they are incurred. If this has not been done, it is proposed that the amount should be deducted from the reserves.

Cash

Items such as tax reserve certificates would be excluded from the asset base in the same way as ordinary investments of surplus funds. The treatment of cash in hand and cash in bank is a matter on which differing views have been expressed.

If cash be included in the asset base, the amount of cash held idle reduces the percentage return on investment; the lower the amount of cash in bank, the higher the percentage return on investment. So as an inducement to keep cash and bank balances as low as possible, it would be reasonable to include these items in the asset base. One writer suggests using a figure equal to one month's cash requirements.[2]

On the other hand, the operating executives may feel that the provision of finance is a function of the highest level of management, or that it is the job of the financial executive to keep the cash balances to a minimum and that cash and bank balances should be excluded from the asset base.

When the purpose of a given statement is clearly known, it can be decided whether or not to include cash and bank balances.

Debtors

Trade debtors will be included in the asset base. Loans to subsidiary or associated companies will usually be excluded, a corresponding deduction being made from reserves to keep the statement in balance.

Stocks

Works stores, raw materials, work in progress and finished goods will form part of the asset base, and will be taken at cost price. This may be higher or lower than current market value, but it has been proposed that the measurement of resources used up should be related to actual cost.

If there has been a serious fall in price of a major raw material, it may be considered prudent to make a provision in the appropriation account so that the financial stability of the company is preserved. This procedure arises from the proposal to treat a successful business as a continuing entity. Transactions are in various stages of completion at all times and it has

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[1] *The Planning and Measurement of Profit*, London November 1957, page 16.

[2] 'Return on investment'. Harvey O. Edson. *The Controller*, June 1957, page 273.

been suggested that the balance sheet should not be prepared on the basis of break-up values. None the less, the need for financial prudence is recognized and can be given expression in the appropriation account.

Fixed Assets

Considerable discussion has taken place on the treatment of fixed assets as part of the asset base in the measurement of capital employed. The protagonists of the different viewpoints have often expressed themselves with great forcefulness, though not always with equal cogency.

Having indicated earlier in this paper that the recommended basis for measuring the return on investment is that of actual cost, we need not now be concerned with discussing the merits or otherwise of using the replacement cost of fixed assets.

This still leaves the question of whether fixed assets should be taken at original cost or at written down book-value. In 1957 a brief review was made by the Controllership Foundation in the United States. The sample of companies taken was not a large one and no common basis was established. It was suggested that 'the choice of base is dependent upon a number of factors, such as the use to be made of the ratio, company organization, volume of operations, and nature of assets.'[1]

Reasons for using gross assets as the base are that they 'provide a more stable base and give a more accurate trend picture for use in making long-term plans'. 'The use of net assets would result in distortions in fast write-off periods. In one company with several divisions, write-off periods vary from division to division so that the use of net assets as the base would complicate the computing ratios and would make a comparison of divisional performance more difficult'.

On the other hand 'a reason stated for using net assets as the base is that the portion of the initial investment represented by depreciation reserves has already been recovered through charge-offs and it has either been reinvested in other fixed assets or is being used as working capital. Therefore, to the extent that recovery and reinvestment have been made, it is felt that the old assets should be relieved of earning a return'.

One company uses both bases, but prefers the use of the net assets as it is felt that the 'use of gross assets has a deflating effect on the ratio. Computations using gross assets as the base are used as comparisons'.[1]

Irrespective of the logic of using one method or another, the effect on the return on investment ratio will depend on whether fixed assets are a major part of the total assets and whether the fixed assets have been written down substantially or not. In three major manufacturing groups in this country fixed assets are as follows:

Company	*Fixed assets as percentage of total*	*Book value as percentage of original cost*
A	25	59
B	20	59
C	22	50

These figures are not necessarily representative of British industry as a whole.

It should be noted that the total of fixed assets is not a static figure. Year by year additions and replacements are being made at current prices. This tends to bring the total cost and the written down book value nearer to each other.

It is suggested that net asset values should be used for general purposes.

Liabilities

Debentures

Debentures should be treated as part of the permanent capital invested in a company. Otherwise, difficulties will arise in a company when debentures are issued or redeemed. Similarly, problems would appear when comparing two or more companies, should some have debentures and others be without this form of finance.

Future Income Tax

For the purpose of measuring return on investment, it is proposed that amounts set aside for future income tax should be treated as part of the reserves of a company.

Major Provisions

There may be provisions of substantial amount, which represent sums transferred from the profit and loss account or the appropriation account. For example, provision for maintenance and repairs to products sold to customers but still under guarantee may rise into six figures. Even if a balance sheet total reaches several million pounds, a provision of £100,000 or more merits some consideration.

For the purposes of calculating the return on investment, may there not be some grounds for adding provisions of this nature and magnitude to the share capital and reserves?

When raw material is purchased, a liability arises, but is balanced by the value of stock in hand. This is not the same in the case of the type of provision being discussed: the provision does not arise from the creation of a corresponding asset in the balance sheet.

Proposed Dividends

Proposed dividends were for many years not admitted to the company of other items on the liability side of the balance sheet. Had one been preparing a statement of net assets employed, would these proposed distributions of profit have been deducted from the gross assets along with other liabilities?

[1] 'Return on investment: use of gross or net assets in computing ratios'. *The Controller*, June 1957, at page 273.

At an earlier stage in this paper, it was postulated that the return on investment was to measure the effectiveness of past operations; this would be in relation to the capital employed during the period of such operations. This being so, it would seem that the amount of the proposed dividends should be treated as part of the general reserve as at the date of the balance sheet for purposes of the return on investment.

Overdrafts
When discussing the treatment of cash in hand and in bank, it was observed that the appropriate treatment would depend on the purpose for which a statement was required. The same remark may well be made in respect of short-term fluctuating bank overdrafts. One year, there may be cash in hand; the next year, an overdraft. If cash is included in the assets, should the overdraft be deducted? If one answers 'No', because the overdraft is simply one of the ways in which the assets are financed, does this seem sound when with a little more skill in handling creditors, the latter might have been higher at the balance sheet date by the amount of the temporary overdraft?

How are companies financed in general? Here are four examples taken from practice, but simplified for presentation:

Company	*Shareholders (including reserves) per cent*	*Loans and overdrafts per cent*	*Creditors per cent*	*Total per cent*
A	50	27	23	100
B	75	7	18	100
C	57	5	38	100
D	34	39	27	100

If one were to compare the return on investment in these four cases, would loans and overdrafts be added to shareholders' funds? Would debentures be so treated but not overdrafts? For the sake of consistency, it is suggested that loans and overdrafts should be treated in the same way as share capital, unless there is some very strong reason to the contrary in a given case.

Inter-company Loans
Loans from associated and subsidiary companies may appropriately be treated in the same way as debentures. Advances to such companies should be deducted from the share capital and reserves.

(*To be continued.*)

Weekly Notes

An Essential Amenity

STUDENTS' societies, it cannot be repeated too often, have a considerable influence on the career of the articled clerk. Their corporate activities supplement individual examination study and broaden the practical training received in any one office, however large. Also, they help to instil in the young chartered accountant in the making a sense of citizenship with an awareness of the wider world issues for which he, as a professional man, will be expected to assume a measure of responsibility.

The Council of The Institute of Chartered Accountants in England and Wales has clearly restated the functions and facilities of students' societies and made useful suggestions as to their future development in a new booklet, *The Students' Society and the Articled Clerk*, which replaces that entitled *The Place of the Students' Societies in the Education of Articled Clerks*, issued in 1951. The new publication, the text of which is reproduced elsewhere in this issue, is intended primarily for the guidance of the committees of students' and district societies and branches, though the practising member, in particular, should find it helpful, even if it does no more than prompt him to encourage his clerks to make full use of an organization which exists for their benefit and which can continue to prosper only if it receives the full support of members – and future members – of the Institute.

New Minister of Transport

AMONG the Cabinet changes announced last week by the Prime Minister, the appointment of The Right Hon. A. Ernest Marples, A.C.A., M.P., former Postmaster-General, as Minister of Transport deserves to be greeted with satisfaction by the profession.

The member for Wallasey since 1945, Mr Marples served as Parliamentary Secretary to the Minister of Housing and Local Government from 1951–54 and was associated with Mr Macmillan in fulfilling a pledge to build 300,000 houses a year. From 1954–55 he served as Parliamentary Secretary to the Minister of Pensions and National Insurance and in January 1957 became Postmaster-General.

As the new Minister of Transport he has taken over an appointment which will be much in the public eye. The urgent need for more money to be spent on Britain's roads is indeed a task which will need skilful management. If Mr Marples's past record is any criterion, he should well measure up to the demands of his new post.

F.B.I. Records an Improvement

THE latest survey of business men's forecasts undertaken by the Federation of British Industries was carried out before the General Election, but it shows an improvement in business confidence nevertheless. Compared with last time, 51 per cent of those answering the questionnaire felt more confident compared with 59 per cent in the previous

four months. On the other hand, the number of those who feel about the same increased from 36 to 46 per cent. Such a result does not by any means suggest a sweeping change of confidence but at least it hints at a recovery from an earlier nadir. One of the encouraging signs of the review is the modest improvement in the percentage of business men who expect to authorize more capital expenditure on plant and machinery in the next twelve months than they did in the last twelve months.

On the question of the utilization of capacity, 50 per cent said that they were working to full capacity and this was an increase since the last survey from 20 per cent. A significant feature has developed on the side of employment. For the first time the survey shows that the number of companies finding it more difficult to obtain labour (20 per cent of the total) was larger than the number of those which found it easier (12 per cent). Half the companies reported no change in their labour force (compared with June 1959) and almost two-thirds said that the average working week was unchanged. The survey does, however, corroborate the recent estimate made by the Board of Trade that manufacturing industry would spend less on new capital investment, notably on buildings, next year than this year.

If this was the mood of business before the General Election there must be increased confidence now that the Conservatives are returned to power. This confidence seems justified. The balance of payments situation is healthy and there is little inflationary pressure evident in the home market. There is a shortage of steel but there is no sign that industry is indulging in a large buying spree for stock. Wage demands have so far this year been modest and the trend of prices is on the whole still slightly downward at the wholesale level. Even finished goods are showing stability in prices and this tendency may be reinforced by proceedings under the Restrictive Practices Act.

Restrictive Practices and Export Arrangements

THE Restrictive Practices Court made two decisions last week on agreements affecting the public interest. Firstly, certain restrictive agreements of the Concrete Mixers Manufacturers' Association were deemed to be contrary to the public interest. In this instance, the agreement had been between members of the association and between the association and certain other concrete mixers. The first of these was to enforce minimum prices and standard terms while the second was an agreement not to undercut the agreed minimum terms. The Registrar did not press an application for an injunction since the parties concerned have undertaken to dismantle the agreement.

The second decision involved a point of principle. An application was made by the Federation of British Carpet Manufacturers that restrictions affecting exports should not be considered when its agreements come before the Court next month. In reply, Mr Justice Upjohn said that the Court did not propose to fetter its discretion in this matter. It was submitted for the federation that the Court should consider only a mixed agreement where the home and export restrictions were mixed and where it was desirable that they should be considered together. It was submitted that there was not a mixed agreement before the Court but one where the home and export divisions were quite separate. The federation was in a position to pass a minute at any time to make a separate export agreement and a minute had been passed to this effect. The Registrar of Restrictive Trading Agreements maintained that this minute was only a variation of the original agreement and that the federation had not succeeded in making a separate one. When the federation had tried to register the new agreement with the Board of Trade, the Government department had also said that this was only a variation of the first agreement and therefore did not register it. The Court has suggested to the Registrar that he should obtain from the High Court a decision as to whether the new agreement is in fact an agreement or merely a variation on the first one.

Unit Trust Association

FOLLOWING nine months' discussion, a successful conclusion was reached last week in setting up the Association of Unit Trust Managers with eighteen management companies as founder members. Sir Oscar Hobson, M.A., who is on the management board of the recently formed Commonwealth Unit Trust, is the first chairman of the association.

The eighteen management companies who have joined represent, with one exception, virtually the whole of the unit trust movement. Municipal and General Trust, who can be credited as being pioneers of unit trusts in the United Kingdom, have refrained from joining the association primarily because its interests lie in an association which would 'do something for the investor' and would draw up an agreed 'code of conduct'. This view has not been entirely acceptable to other unit trust managers who have favoured an association first and settling the rules later. It is generally hoped, however, that the Municipal and General group will join the association once a set of rules has been drawn up.

A committee has been formed to consider the adoption of rules and the future operation of the association, whose objects are:

(*a*) to act as a consulting body among its members in order to agree standards of unit trust practice for the protection of the interests of unit holders and management companies and to maintain the good name of the unit trust movement;

(*b*) to act for all purposes as a body representative of unit trust managers;

(*c*) to act in co-operation with other bodies with regard to investment protection.

Finance and Commerce

Copthall Holdings

THIS week's reprint deals with a public offer for sale of shares in Copthall Holdings Ltd. In a sale of shares to the public, the accountant has a special part and responsibility and the documents, whether published as a direct offer of shares or as statements for information in the case of a market placing, are essential reading especially for those who are making their way into the profession. In this particular case there are special circumstances on which readers may form their own judgment.

Copthall Holdings traces its origin to one Arnold Buchholtz who started business as a lace manufacturer in Brussels in 1852. Shortly afterwards, a London business was established in lace wholesaling, and Buchholtz & Co Ltd, a public company, appeared in 1900. After the last war, the majority of the shares passed through the control of the Custodian of Enemy Property. A new company followed which continued the name and the business of lace wholesalers.

A majority interest was acquired by Mr C. J. Oppenheim between April and June this year; the company acquired a number of property-owning subsidiaries and following normal practice, the Stock Exchange quotation was suspended. As Copthall Holdings Ltd the company reappeared before the public with an issued capital of £138,500 in 2*s* shares, 400,000 of which were offered for sale at 3*s* 3*d* each, and the quotation was restored.

Profit Prospects

In an assessment of the company's position and prospects, two views have to be considered. One is of the lace business, still being continued, of which the last news in figures is for the year to December 31st, 1958. Such view as may be formed of the 1959 prospect must be seen in the context of note (*a*) dealing with directors' emoluments under the heading of 'Profits' in the reprinted auditors' report.

The other view concerns the properties, particulars of which appeared in the prospectus, with their location and use, whether freehold or leasehold, and details of the leases; the whole summed up to show an estimated value in the open market at August 31st, 1959, of £130,200 and of £332,500 when all developments have been completed. Present annual net income was given at £2,160 rising to an estimated £24,470 when developments are completed.

The final summing up is given under 'Profits and prospects' which appears in our reprint from the prospectus. It is more in the nature of a broad outline, however. Normally prospectuses contain a computation in some form showing how much will be required to pay the prospective dividend, given maintenance of taxation on present basis, and how much profit may be expected to cover it. Prospective profit is frequently stated in terms of an expectation that the figure for the last completed period will at least be maintained.

Comment

The Financial Times in its 'Issue comments' on the day the offer was published regarded the shares as a 'speculative proposition at 3*s* 3*d*'. Much depended, it was said, on the success of the expansionist policy which the board is to pursue, and it has added that in this context, the fact that the company had no prior charges was a good point.

On the basis of a prospective 10 per cent dividend, the prospective yield on the shares at 3*s* 3*d*, it was pointed out, was 6·15 per cent but in the absence of a full earnings forecast, a true assessment of the merits of the shares was not possible. But if the lace business could hold its profits at the £3,200, subject only to tax, earned in 1958, there would be earnings of around 8⅝ per cent available when the three properties now under development had been completed and fully let.

Additional Information

The rest of the story appeared three days later on the day before the lists for the offer were due to open and close. Then *The Financial Times* stated that it had been informed by Mr E. C. Burrell, a director of Copthall Holdings and a partner in Messrs Lewis, Burrell & Webster, Chartered Accountants, that 'the profits tax liability of the Copthall Holdings group should be calculated on a company-by-company basis instead of on a group basis'.

Mr Burrell went on to say that 'if an appropriate allowance is made for income tax on the amount of profit to be retained to cover the profits tax liability, it would appear that the earnings available for dividend would be 9¼ per cent'.

Furthermore, 'there is every indication that the 1959 profit from the lace business will exceed that for 1958 and even if due allowance is made for the additional profits tax liability payable on the increased profit, the additional profit should, according to present indications, be sufficient to bring up the prospective earnings to over 10 per cent'.

The Financial Times pointed out that this information was additional to that given in the prospectus published in its issue of September 21st.

Prospectus reading is an excellent exercise, but every prospectus is not necessarily the mine of information it should be.

EXTRACTS FROM THE PROSPECTUS OF COPTHALL HOLDINGS LTD

NET ASSETS

The combined net assets of The Company and its five subsidiaries, ignoring any profit or loss on trading in the parent Company arising subsequent to the 31st December, 1958, is estimated at £162,325, made up as under :—

	£
Freehold and Leasehold properties at estimated valuation on 31st August, 1959, per Messrs. Lane, Saville & Company's report dated 18th September, 1959	130,200
Mortgage acquired from Plastic Materials Limited on 14th August, 1959 (due to be repaid on 15th April, 1960)	13,150
Fixed Assets of The Company at 31st December, 1958, as shown by the Auditors' report below	4,336
	147,686
Deduct: Excess of Current Liabilities over Current Assets	45,161
	102,525
After deducting the estimated cost of the building developments of Wyndham House, Airlie Gardens and Devonshire Place (including all legal costs, interest and rent to the dates of completion) from the ultimate value of these developments, as estimated by Messrs. Lane, Saville & Company, the net assets should be further increased by	59,800
Combined Net Assets (subject to the expenses of this issue, estimated at £5,000)	£162,325

PROFITS AND PROSPECTS

The last audited accounts of the Company were made up to 31st December, 1958. For the year ending 31st December, 1959, which will to some extent benefit from the property investments, unless anything unforeseen occurs in the next three months the Directors intend to declare a dividend of 10 per cent on the 480,000 old ordinary shares of 2*s.* each.

It is estimated that the net annual income from all properties, when fully developed, after making allowance for outgoings, mortgage and other interest and amortisation, should amount to approximately £11,000. This, combined with the other income of the Company should, in the opinion of the Directors and in the absence of any unforeseen circumstances, enable the Board to recommend a dividend for future years of not less than 10 per cent.

The above forecast relates only to property already owned by the Company's subsidiaries. It is the Directors' intention to follow a policy of expansion of the activities of the Company and its subsidiaries as a whole. At the present moment possible acquisitions are under consideration and it is anticipated that the future profits of the Company will benefit from the more active policy which the Directors intend to pursue.

Yours faithfully,

C. J. OPPENHEIM

Chairman.

AUDITORS' REPORT

The following is a copy of a Report received from Messrs. Josolyne, Miles & Company, Chartered Accountants, 28 King Street, E.C.2.

18th *September*, 1959.

To the Directors of COPTHALL HOLDINGS, LTD.
15 BERNERS STREET,
LONDON, W.1.

GENTLEMEN,

We have examined the accounts, as audited by us, of your Company (formerly Buchholtz & Co., Ltd. and its predecessor of the same name which it acquired during 1956) for the ten years ended 31st December, 1958, and report that the profits, arrived at on the basis defined below, have been as under:—

	£
Year ended 31st December, 1949	7,446
" " " " 1950	11,803
" " " " 1951	15,766
" " " " 1952	9,639
" " " " 1953	8,288
" " " " 1954	5,728
" " " " 1955	4,737
" " " " 1956	5,098
" " " " 1957	5,226
" " " " 1958	5,699

PROFITS

The profits shown above are arrived at before deduction of directors' emoluments and pensions (see note (*a*) below) and taxation, but after charging all working expenses including depreciation (see note (*b*) below) and after making such adjustments as, in our opinion, are appropriate.

NOTES: (*a*) The amount charged in the Accounts for the year ended 31st December, 1958, for Directors' emoluments (exclusive of expenses and a former director's pension of £500, now ceased) is £2,460. The future annual charge in respect of Directors' emoluments of the Company and its five subsidiaries is estimated not to exceed in the aggregate the amount charged in the Accounts of the Company for the year ended 31st December, 1958.

(*b*) In arriving at the profits shown above there has been deducted the amounts written off leasehold property, and the depreciation on fixtures, fittings and motor vehicles as charged in the accounts, such depreciation being approximately equivalent to the amounts allowed for taxation.

NET ASSETS

The following is a statement of the net assets based on the Company's audited Balance Sheet at 31st December, 1958, after making such adjustments as, in our opinion, are appropriate :—

	Cost	Amounts written off	
FIXED ASSETS	£	£	£
Fixtures and Fittings	1,861	559	1,302
Motor Cars	1,966	425	1,541
Capital Expenditure on Leasehold Property	2,985	1,492	1,493
	£6,812	£2,476	4,336
CURRENT ASSETS			
Stock (at lower of cost or market value)		22,152	
Government Securities, at market value on 31st December, 1958		9,393	
Debtors and Prepayments		13,410	
Balance at Bank and Cash in Hand		13,890	
		58,845	
Less: CURRENT LIABILITIES			
Creditors and Accrued Charges	6,838		
Current Taxation	1,859		
Proposed Dividend (since paid)	1,470		
		10,167	48,678
			53,014
Deduct: RESERVE FOR FUTURE INCOME TAX			1,350
NET TANGIBLE ASSETS			£51,664

We further report that:—

(*a*) The issued ordinary share capital of your Company and its predecessor and the dividends paid thereon during the five financial years ended 31st December, 1958, have been as under :—

	Year ended 31st December	Ordinary Share Capital issued	Dividend paid: Rate per cent less income tax	Balance of unappropriated profit carried forward
		£		£
Old Company	1954	60,000	Nil	1,644
	1955	60,000	Nil	3,310
New Company	1956 (from 16th March, 1956)	48,000	3	402
	1957	48,000	4	722
	1958	48,000	5	875

(*b*) For the financial years ended 31st December, 1954 and 1955, the old Company had in issue 50,000 6½% Cumulative Preference Shares of £1 each, fully paid, on which no dividend had been paid since 1934. By Special Resolution dated 15th March, 1956, the old Company was placed in voluntary liquidation and the preference shareholders received four fully paid Ordinary Shares of 4s. each in the new Company together with 8s. in cash for each £1 Preference Share held. The holder of the 75,000 Ordinary Shares of 16s. each in the old Company received 40,000 fully paid Ordinary Shares of 4s. each in the new Company and £4,000 in cash.

(*c*) No accounts have been made up by the Company in respect of any period since 31st December, 1958.

With regard to the Company's five subsidiaries, for none of which any audited accounts have yet been prepared, and all of which have been acquired since the 31st December, 1958, the following statement of their aggregate net tangible assets as at the 31st August, 1959, is based on a certified statement submitted by Mr. Robert G. Whittington, Chartered Accountant, of 13 Copthall Avenue, London, E.C.2, the Auditor of each of the subsidiary companies concerned.

		£	£
FIXED ASSETS			
Freehold Properties, at cost		19,619	
Leasehold Properties, at cost		69,624	89,243
Deduct: CURRENT LIABILITIES			
Creditors		64,693	
Parent Company		7,090	
Current Taxation		243	
Bank Overdrafts		12,739	
		84,765	
Less: CURRENT ASSETS			
Debtors and Prepayments	98		
Balances at Bank	338		
		436	84,329
NET TANGIBLE ASSETS			£4,914

NOTE: At the 31st August, 1959, there were commitments for capital expenditure in respect of the building leases amounting to £180,000.

Yours faithfully,

JOSOLYNE, MILES & COMPANY, *Chartered Accountants.*

Take-over Code

THE Bank of England is now studying the recommendations of a working party set up last July to attempt to draw up a code of behaviour on take-over bids. The Issuing Houses Association, the Accepting Houses Committee, the Committee of London Clearing Bankers, the Stock Exchange Council, the Association of Investment Trusts and the Investment Protection Committee of the British Insurance Association were represented on the working party, formed at the instigation of the Governor of the Bank of England.

That the initial moves were made last July is evidence enough that the City was becoming concerned with take-over problems well before the Grunwald affair put the matter in the full glare of publicity. A code of take-over conduct could indeed be necessary but a good proportion of take-over operating is arranged outside the City and any 'Queensberry Rules' may be found difficult to apply to outside parties.

The City acts largely as an intermediary rather than a principal in take-over matters and the onus would appear to be on City institutions to see that their clients follow the rule book – if rule book there is to be. If only for that reason it may be assumed that there may well be a certain amount of elasticity in the working party's recommendations.

The Institute of Directors announced on Monday that it is to hold its own inquiry into take-over bids. A committee is to be formed under the chairmanship of Sir Edwin Herbert a Past President of the Law Society, composed of 'leading lawyers, accountants and company directors'. On the result of its findings, recommendations will be made to the Institute's members – now numbering about 33,000 – and where it appears desirable, amendment of the Companies Act will be proposed.

Next Week's Reprint

The reprint in week's issue will present the accounts of N.A.A.F.I.

CITY NOTES

INTENSE activity in the stock-markets has shown up many of the shortcomings in the Stock Exchange's machinery. The immense amount of paper work involved in share transactions has put a heavy burden on Stock Exchange office staffs. Even firms with fully-mechanized offices have had to work into the small hours in order to keep up to date. Smaller firms withont mechanical aids have fallen behind with the books and paper work despite long working hours and, in some cases, night shifts.

Centralized stock delivery and expansion of the 'clearing' have helped to reduce work but it is clear that the Stock Exchange could, with advantage, go much further on these lines. Another matter for consideration is the shortcomings in the recording of the market's own business. The 'marking' of bargains by brokers is optional. Inevitably only a fraction of a day's turnover is actually recorded.

The number of markings received by the *Stock Exchange Official List* is only a rough guide to the amount of business passing. When markings were being recorded at over the 30,000 mark recently, a popular estimate was that the actual number of deals put through could well have been in the region of one hundred times that figure.

Understandably, as a private institution, the Stock Exchange has to keep a tight rein on its finances, but among some members there is a feeling that expenditure could well be aimed at providing a system for the more accurate assessment of market turnover than at any further moves in 'public relations'. There is also need for an energetic investigation of the possibilities of setting up a special department to cater for the small orders that Stock Exchange publicity is intended to attract but which many stockbroking firms find are uneconomic to accept.

RATES AND PRICES

Closing prices, Wednesday, October 21st, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Aug. 14	£3 9*s* 8·13*d*%	Sept. 18	£3 9*s* 8·13*d*%
Aug. 21	£3 9*s* 8·39*d*%	Sept. 25	£3 9*s* 5·24*d*%
Aug. 28	£3 9*s* 9·03*d*%	Oct. 2	£3 9*s* 10·48*d*%
Sept. 4	£3 9*s* 9·52*d*%	Oct. 9	£3 8*s* 9*d*%
Sept. 11	£3 9*s* 8·47*d*%	Oct. 16	£3 8*s* 4·91*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 17/32–3 21/32%
Fine Trade Bills		3 months	3 17/32–3 21/32%
3 months	4¼–5%	4 months	3 17/32–3 21/32%
4 months	4¼–5%	6 months	3 17/32–3⅝%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80¾–13/16	Frankfurt	11·73½–¾
Montreal	2·65 13/16–15/16	Milan	1742¼–¾
Amsterdam	10·59⅝–¾	Oslo	20·01⅝–⅞
Brussels	140·47½–·48½	Paris	13·77½–·78
Copenhagen	19·34–¼	Zürich	12·18 9/16–11/16

Gilt-edged

Consols 2½%	51⅜	Funding 4% 60–90	91 3/16
Consols 4%	75⅜	Savings 2½% 64–67	84⅝
War Loan 3½%	67¾	Savings 3% 55–65	92 1/16
Conversion 3½%	66⅝	Savings 3% 60–70	83 3/16
Conversion 3½% 1969	89⅜	Savings 3% 65–75	77 5/16
Exch'qu'r 5½% 1966	104¼	Treasury 2½%	49 11/16
Funding 3% 66–68	86	Treasury 3½% 77–80	80⅜
Funding 3% 59–69	84¾	Treasury 3½% 79–81	79⅛
Funding 3½% 99–04	73 7/16	Victory 4%	95½

The Amazing Potentialities of Memory

I little thought when I arrived at my friend Borg's house that I was about to see something truly extraordinary, and to increase my mental powers tenfold.

He had asked me to come to Stockholm to lecture to the Swedes about Lister and other British scientists. On the evening of my arrival, after the champagne, our conversation turned naturally to the problems of public speaking and to the great labour imposed on us lecturers by the need to be word perfect in our lectures.

Borg then told me that his power of memory would probably amaze me – and I had known him, while we were studying law together in Paris, to have the most deplorable memory!

So he went to the end of the dining room and asked me to write down a hundred three-figure numbers, calling each one out in a clear voice. When I had filled the edge of an old newspaper with figures, *Borg repeated them to me in the order in which I had written them down and then in reverse order, that is beginning with the last number. He also allowed me to ask him the relative position of different numbers: for example, which was the 24th, the 72nd, and the 38th, and I noticed that he replied to all my questions at once and without effort, as if the figures which I had written on the paper had been also written in his brain.*

I was dumbfounded by such a feat and sought in vain for the trick which enabled him to achieve it. My friend then said: 'The thing you have just seen and which seems so remarkable is, in fact, quite simple; everybody has a memory good enough to do the same, but few indeed can use this wonderful faculty.'

He then revealed to me how I could achieve a similar feat of memory, and I at once mastered the secret – without mistakes and without effort – as you too will master it tomorrow.

But I did not stop at these amusing experiments. I applied the principles I had learned in my daily work. I could now remember, with unbelievable facility, the lectures I heard and those which I gave myself, the names of people I met – even if it was only once – as well as their addresses, and a thousand other details which were most useful to me. *Finally, I discovered after a while that not only had my memory improved, but that I had also acquired greater powers of concentration; a surer judgment – which is by no means surprising since the keenness of our intellect is primarily dependent on the number and variety of the things we remember.*

If you would like to share this experience and to possess those mental powers which are still our best chance of success in life, ask D. E. Borg to send you his interesting booklet *The Eternal Laws of Success* – he will send it free to anyone who wants to improve his memory. Here is the address: *D. E. Borg, c/o Aubanel Publishers, 14 Highfield Road, Rathgar, Dublin, Ireland.*

Write now – while copies of this booklet are still available.

L. Conway.

Reviews

Accounting Systems in Modern Business

by ELDRED A. JOHNSON. (McGraw-Hill Publishing Co Ltd, London. 60s net.)

This substantial book of 450 pages is written on the sensible assumption that the accountant of today is 'something more than an expert in debit and credit'. After outlining the basic business forms and procedures in the opening chapters, the author next reviews the structure of a large commercial organization from the boardroom to the factory floor. Then, having got the whole plant in proper perspective, he devotes the main part of his narrative, first to explaining the principles to be observed in systems designed and the procedures to be followed in the installation of the selected system; and, second, to a detailed consideration of accounting equipment and how best it may be utilized. The text is well illustrated with forms and photographs and there are a number of student exercises so framed as to test thoroughly the receptive powers of the reader.

This survey, which embraces every recording device from the hand-written journal to the internally-programmed electronic computer, naturally becomes more complex as it progresses but Prof. Johnson, clearly an expert in his subject, succeeds in presenting a lucid and balanced picture of how vital method and the best available accounting machines are to the successful business organization.

Public Expenditure in Australia

by B. U. RATCHFORD. (The Duke University Press; United Kingdom Agents: Cambridge University Press, London. 56s 6d net.)

The subject-matter of this book is of interest for a number of reasons. Australia is a young but rapidly expanding economy in which Federal and State financial relations have developed in their own particular way, while the character of Federal outlays is changing over the years. The bulk of the study is devoted to the financial problems since 1929 but there is a useful introduction covering the earlier years of the twentieth century and each aspect of the Federal-State relationship is examined in the light of its historical development as well as the present position.

The author is concerned solely with expenditure; there is no discussion or account of the Australian fiscal system. This seriously reduces the interest of the study for the general reader interested in public finance; but within the framework he has set himself, the author has produced a readable account of the pressures, both political and economic, which have dictated the pattern of Government expenditure. For the reader who is unacquainted with the problems of Federal finance, there is much of interest in this book. The author's comments throughout are pertinent and neatly woven into the background discussion.

Spicer and Pegler's Book-keeping and Accounts

Fifteenth Edition by W. W. BIGG, F.C.A., H. A. R. J. WILSON, F.C.A., and A. E. LANGTON, LL.B. (LOND.), F.C.A. (H.F.L. (Publishers) Ltd, London. 35s net.)

A number of new recommendations on accounting principles issued by the Council of The Institute of Chartered Accountants in England and Wales and changes in the current fashions of company accounts are reflected in this latest edition of 'Spicer and Pegler'. Further working examples have been added also and, here and there, revisions have been made in the text. Finality, said Disraeli, is not the language of politics nor, would it appear, of the editors of this textbook for, although each edition appears wholly admirable, the next is always an improvement on the one it supersedes.

Work Measurement in the Office: A Guide to Clerical Cost Control

by ELMER V. GRILLO and CHARLES J. BERG, Jun. (McGraw-Hill Publishing Co Ltd, London. 45s net.)

Office Staff – Selection, Supervision, Training

by ELIZABETH M. PEPPERELL. (Industrial Welfare Society, London. 7s 6d net.)

For one reason or another, the presence of a man with a stop-watch anywhere but on a sports field is resented. It suggests to the motorist, for example, that he has been going too fast: and to the factory worker that he has been going too slow. Both impressions may be quite erroneous but whether the complex which produces them is guilt or love of freedom of action depends on circumstances. For other reasons, the infrequent attempts which are made to time clerical work are also unpopular. Office workers regard themselves as having a highly developed sense of responsibility and consider it completely unnecessary to have the dial of a watch demonstrate that they are doing their full stint. Moreover (they suggest), their work is so individual and varied, that the timing of the multiplicity of separate operations they perform is impracticable.

Be all that as it may, Messrs Grillo and Berg think otherwise and, despite the imponderable odds against them, have blandly written a forceful, albeit tactful, book on how office costs may be kept down to a minimum by operating an intelligent system of work measurement. They divide their narrative into three parts. The first defines and defends the principle of work measurement and suggests ways in which the co-operation of employees may be obtained. The

second part explains the various means by which standards may be established – past production methods, the recording by employees of how their time is spent, the stop-watch, micromotion films and comparisons with predetermined time standards. The third part indicates how standards may be applied against actual performances, what adjustments may have to be made and the part that incentives can play in improving output. The authors' arguments are impeccable, but convincing the employee that the more efficient he is the more he will benefit – in terms both of mental satisfaction and of monetary reward – remains the human problem to which even they cannot give the complete answer.

First catch your staff . . . Miss Pepperell surveys the whole problem of recruitment and training and has many sensible things to say on the best means of developing the paramount office qualities of loyalty and conscientiousness. If all employers pursued the policies she advocates, a new atmosphere in staff relationships might be fostered – one in which the modern and enlightened methods of Messrs Grillo and Berg would be certain to find encouragement.

Managerial Accounting: An Introduction

by HAROLD BIERMAN, Jun., B.S., M.B.A., PH.D. (The MacMillan Co, New York. 45*s* 6*d* net.)

On the dust-cover, this book of just under 500 pages is described as being designed for executives who need a practical foundation for business life, as well as intended to be of direct assistance to those in business education, industry or economics, 'for whom a knowledge of accounting will prove a definite asset'.

In his preface, the author makes it clear that the book is primarily for college use in America in cases where students wish to read accountancy as a 'minor' subject, and for the use of the tutor rather than the student himself.

The work is divided into two sections. The first surveys the field of business accounting, while the second describes the techniques of management accounting open to business men. To deal in so short a book with the whole scope of financial and managerial accountancy is an impossible task, and the result is an inevitable 'surface' treatment of the whole subject. This shows itself especially in the first part, even if the reader treats it, as he is asked to do, as an introduction only.

Readers in the United Kingdom may well reflect, as they read a book of this nature, that they are indeed fortunate in having a system of training by practical apprenticeship and experience in accountancy, rather than a college course based on theoretical training. One would have thought that if this book was indeed aimed at the businessman who wants to understand accounts better, it would have been preferable to discuss methods of layout and design of statements rather than to attempt to deal with the detailed book-keeping entries necessitated by such matters as company reconstructions, discounting of notes, sales returns of the vouchers for petty cash payments.

The British reader may also view with some wonder the large amount of 'jargon' employed by American accountants. He may, for example, be surprised to know that income is not revenue, and that securities are not investments, and that liabilities due at any time within the year following the accounting date are 'current liabilities'.

In the second part of his book the author deals, with a little more detail, with the needs of management in the fields of budgets, standard costs, marginal costs, price decisions, and similar matters.

Here again, one feels that this work fails a little by falling between two aims. As an authoritative textbook of reference to professional men, then it is not detailed enough. As an aid to non-accountant executives, the practical examples are in fact too detailed and specialized, though much of the background explanation of the practices and methods of accountants is admirable.

In other respects it is an interesting commentary on many American practices in accounting, and worth reading for that reason alone. The layout and print design are clear and neat, though many of the examples are somewhat crowded in order to concentrate so much detail into a single page.

RECENT PUBLICATIONS

HOW TO PAY LESS INCOME TAX, by H. Toch, B.COM. 164 pp. 9×5½. 18*s* net. Museum Press Ltd, London.

BRITISH INDUSTRIES AND THEIR ORGANIZATION, fourth edition, by Professor G. C. Allen, xi+332 pp. 9×6. 25*s* net. Longmans, Green & Co Ltd, London.

STATISTICS, twelfth edition, revised and enlarged by A. R. Ilersic, M.SC.(ECON.), B.COM., F.I.S. xiii+467 pp. 9×6. 30*s* net. H.F.L. (Publishers) Ltd, London.

'TAXATION' KEY TO INCOME TAX AND SURTAX, forty-eighth, Finance Act, 1959, edition, edited by Percy F. Hughes. 223 pp. 8½×5½ card covers. 10*s* net. 10*s* 6*d* post free. Taxation Publishing Co Ltd, London.

THE ADMINISTRATION OF INSOLVENT ESTATES IN SOUTH AFRICA, second edition, by David Shrand, M.COM., A.S.A.A., C.A.(S.A.). xxii+500 pp. 10×6. £5 5*s* 0*d* net. Juta & Co Ltd, Cape Town. United Kingdom agents: Sweet & Maxwell Ltd, London.

OVERSEAS DIRECTORIES WHO'S WHO, PRESS GUIDES AND YEAR BOOKS, eleventh edition, edited by H. R. Vaughan. 36 pp. 8½×5½. Card covers. 5*s* net. Publishing & Distributing Co Ltd, 177 Regent Street, London.

WHILLANS'S TAX TABLES AND TAX RECKONER 1959–60, by George Whillans, F.I.B., F.T.I.I., F.R.ECON.S. 10 pp. 9½×6. Card covers. 1–5 copies, 5*s* each post free; 6–24 copies, 4*s* 6*d* each, post free; 25 and over, 4*s* each, post free. Butterworth & Co (Publishers) Ltd, London.

CONSEQUENTIAL LOSS, INSURANCES AND CLAIMS, second edition, by Denis Riley, F.C.I.I. x+352+13 pp. 10×6. 50*s* net (United Kingdom only). Sweet & Maxwell Ltd, London.

ECONOMICS FOR OUR TIMES, third edition, by Augustus H. Smith. xii+596. 9½×6½. 43*s*. McGraw-Hill Publishing Company Ltd, London.

NEW SHARES FOR OLD, The Boston and Main Stock Modification, by Robert L. Masson. xvii+398 pp. 8½×5½. 36*s* net. Harvard University, Division of Research. United Kingdom agents: Bailey Bros. & Swinfen Ltd, Hyde House, West Central Street, London WC1.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Verification of Stock

SIR, – I was interested to read in your columns the comments regarding stock verification in South Africa. The problems of stock verification are complex and numerous and are not confined to South Africa and the U.S.A. Frequently, during the course of conversations with practising accountants, I hear them utter a wish to be present at the stock-taking of public companies and to verify the physical existence of stocks of raw material and work in progress, claiming that this is a modern trend and in line with enlightened thinking of progressive auditors. Is enlightened thinking only the prerogative of those accountants who wish to alter established proceedings, or is this wish the outcome of a mere desire for a change rather than seeking improved standards of auditing? It is noticed that generally the accountants who wish to extend the scope of their audit duties by being present at stock-taking, do not wish to extend the responsibility of auditors to cover stock-taking. If auditors wish to be present at stock-taking, in order to verify the stock of raw materials and work in progress, they must surely be prepared to accept the responsibility which such verification must place upon them.

During my professional career, the verification of stocks and work in progress was generally confined to a series of tests designed to verify the system of control, the method of stock-taking, and a comparison of the results of the stock-taking with the accounting control. The verification was completed by a certificate obtained from the directors and officials of the company, that the whole of the stock and work in progress was correctly recorded on the schedule provided to the auditors. When engaged upon the audit of American companies (where the auditor must be present at stock-taking), the opinion grew upon me that being present at the actual stock-taking did not serve a useful purpose from the point of view of auditing procedures, as sometimes the actual composition of the raw materials could only be known to a technically trained person, or where very large quantities were being counted, only random samples could be properly checked. In large concerns, the number of audit clerks required to adequately cover the stock-taking, would be innumerable, so that the cost would almost be prohibitive (or would the audit fee be increased?).

It is appreciated that the stocks and work in progress do frequently form a large part of the current assets of a company and must be verified before the balance sheet could be certified as giving a true and fair view of the state of the company's affairs, but provided always that proper tests are carried out of the recording and control of stocks and work in progress, the auditor should be able to sign the certificate.

The profession must be careful to avoid the professional accountant becoming a stock-taker and stock appraiser, but those seeking the right to be present, should be prepared to accept the responsibility of the stock-taking, thus eliminating the necessity for the certificate signed by directors and officials of the company.

Yours faithfully,

INDUSTRIOUS.

Executive Selection

SIR, – I was one of that large brigade of articled clerks whose indentured service was interrupted by the war, with the result that we were somewhat 'long in the tooth' before, in the late nineteen-forties, we qualified as members of the Institute. Having attained this status, I personally chose a career outside the profession and now occupy what might be described as a senior appointment with a medium-sized industrial concern, a position I was fortunate enough to secure a few years ago and in which I have been content to progress in responsibility and experience. Nevertheless, succumbing for the moment to ambition for even brighter horizons, I was tempted recently to submit an application for a senior position with one of our leading industrial giants and advertised in somewhat glowing terms in a leading daily newspaper. My experience will doubtless present no novelty to many members of our profession, but I feel it might be of interest to many as yet 'unbaptized'.

In due course I received an invitation to attend for an interview and met the chief of the department, to which I was to be assigned, and his senior assistant. A discussion on a most friendly basis covered both their requirements and my experience and, after upwards of two hours, I departed with the advice that there had been many applicants for the post and that, in due course, I would be informed as to whether my name had been included in the short list. I was later pleased to learn that it had and I was recalled for further negotiations.

In more confident mood on this second occasion, I found myself greeted on arrival by what was to me a 'new' official, the staff personnel manager. Formalities over, I was soon seated at a desk and presented with a printed form of exercise book and pencil. Whilst he stood by me, stop-watch in hand, I found

myself embarked upon one of those intelligence tests with which those of us who faced the rigours of wartime service selection boards will be familiar. At five-minute intervals I was 'halted', requested to turn the page and required to undertake section after section of brain-teasers. Some merely sought synonyms and antonyms; the climax was reached when I was required to name the coin 'which bore the same relationship to a penny which sixpence bore to a halfpenny'. I was able to answer this with triumph, remembering, as I did so, the advice given me at the outset, to 'write clearly and make my figures distinctly'.

After half an hour the battle was over and I was permitted the joy of a few moments' relaxation before moving on to the next stage of this marathon contest. This involved my being closeted with yet another member of the same department. This time the desk awaiting me was sparsely furnished with pencil, pad and a typewritten question paper, on which was posed a problem of the type encountered in the Institute Final examinations. I was advised, politely, that I had half an hour in which to solve it. My refusal to attempt it, as a matter of principle, brought consternation bordering on alarm. My submission that I had come for interview and not for scholastic or professional re-examination, was accepted with sincere regret, not least by the department to which I was to have been assigned. They were sorry, but these were the company's regulations. One's qualifications, experience and the results of personal interview at technical level came second.

It was suggested, by way of palliative, that the problem posed was only 'of a class which the company might encounter in its ordinary course of business'. From this I could only reflect that, had I been successful in obtaining the post, and moved my home to its location, then I would have been justified in the course of my selecting a local doctor, to request each one in the district to submit a thesis on his treatment of thrombosis on the grounds that it was an ailment 'of a class that I might encounter . . .'. By that means I might make my choice from the short list of qualified men available.

It was only on my lonely way home that I realized that this unforeseen break in negotiations had probably left the company psychiatrist kicking his heels.

Doubtless it is I who am the loser, a willing and wiser one albeit, but I am prompted to wonder whether we have not reached a stage where executive selection methods have passed the bounds of common sense. Am I to presume that future captains of industry are to be chosen, not so much for their qualification, be it A.C.A. or otherwise, and experience, rather than their willingness to submit to tests of quick-wittedness and free-lance professional examination?

Yours truly,
UNDAUNTED.

Section 54, Companies Act, 1948

SIR, – We should be glad to have your readers' views with regard to the exact interpretation of Section 54 of the Companies Act, 1948. We have had a legal opinion that it would be contrary to this section if an exempt private company advanced money to a person to enable him to aquire full paid shares in the company held by another party. Surely, the purpose for which Section 54 was created was to prevent the illusory expansion of the capital of a company. In the case mentioned, the paid up capital would remain the same and only the shareholdings would change.

Yours faithfully,
'STYMIED'.

Rhythm in Division

SIR, – Mr T. G. Rose's letter in your issue of October 3rd on the subject of finding errors in addition arising from two digits having been reversed reminded me of learning this useful tip as a very junior audit clerk many years ago.

May I extend Mr Rose's point and say that the difference can be pin-pointed even quicker if one realizes that the use of the digit nine can also denote the extent of the error. One simply finds the number of times nine will divide into the difference and the answer is the number of digits in sequence which divide the figures incorrectly transposed.

Examples

(*a*) Correct total	975
Total from copied figures	957
Difference	18

Now 9 will divide into 18 twice, so there is a difference of 2 in the transposed figures (i.e. 1 for 3 2 for 4, . . . 5 for 7 as in this case, etc.).

(*b*) Total from copied figures ..	139,432
Correct total	134,932
Difference	4,500

Now 9 will divide into 4,500 500 times, so the transposed figures are 5 apart between the hundreds and thousands columns. Thus, 9 has been put down for 4 and 4 for 9.

All one then has to do is to examine for errors numbers which are separated by the indicated difference. So, if the figure in example (*a*) was from a column, say:

941
956
903
975

and we are looking for a difference of 2 in sequence, only the latter figure need be examined, as the first three do not satisfy the rule.

Yours faithfully,
Hull. DENIS A. WOOD,
A.A.C.C.A.

The Students' Society and the Articled Clerk

Reproduced below is the text of a new publication which has been issued by the Council of The Institute of Chartered Accountants in England and Wales primarily for the guidance of the committees of the chartered accountant students' societies and for the information of the committees of district societies and branches. In view of its significance for all members – and for practising members in particular – it is to be included in due course in the appropriate section of the Members' Handbook. The publication brings up to date and replaces the statement 'The Place of the Students' Societies in the Education of Articled Clerks' issued by the Council in August 1951.

THE IMPORTANCE OF STUDENTS' SOCIETIES

1. The Council of the Institute is anxious that principals and articled clerks should appreciate how important a part students' societies take in the professional training for membership of the Institute and that the students' societies themselves should make every effort to improve and broaden the education which they can provide.

Prescribed Clauses in Articles of Clerkship

2. In August 1946, the Council published a statement on the future training of articled clerks, an event of great significance to students' societies. That statement announced the Council's proposal for the inclusion of various prescribed clauses in all articles of clerkship, two of which were the clause requiring the articled clerk to become a member of a students' society and the clause requiring the principal to pay the entrance fee and annual subscription.

3. This proposal was fully implemented from December 21st, 1948, when the Supplemental Royal Charter was granted and the new bye-laws were allowed. Since then it has been obligatory (subject to the discretion of the Council in individual cases) to include in all articles certain clauses prescribed by the Council under the powers conferred by bye-law 51. The clauses which directly concern students' societies are:

Covenants by or for the articled clerk

'That within a period of three months after the commencement of his service under these articles the articled clerk will become a member of the local Chartered Accountant Students' Society or (where there is no local society) the Chartered Accountant Students' Society most convenient to him and shall maintain membership of such society throughout his period of service under articles.'

'That the principal shall have the right to ask for reports relating to the articled clerk from the appropriate Chartered Accountant Students' Society and from any tutors with whom the articled clerk may take a course of study.'

Covenants by the principal

'That he will allow the articled clerk reasonable leave for attendance at lectures and students' society meetings and will afford him facilities for study or for obtaining theoretical instruction.'

'That he will allow the articled clerk a period of leave of not less than one month for full-time study prior to each occasion on which the articled clerk presents himself for an examination held by the Institute.'

'That he will pay to the students' society of which the articled clerk becomes a member . . . the articled clerk's entrance fee and annual subscription.'

4. The Council seldom permits the omission of any of the prescribed clauses. Normally, applications are granted only where clerks are much older than is usual at the time of entering into articles and where they have already had considerable experience in the profession. An application based solely on financial grounds will not be entertained.

5. The prescribed clause relating to payment of the clerk's subscription by the principal is regarded as serving a fourfold purpose. It ensures that there can be no possible financial reason to deter an articled clerk from joining a students' society; it enables the principal to satisfy himself that the clerk has carried out his obligation to join; it provides the principal with a useful reminder from time to time of his right to obtain reports from the society; and it emphasizes the importance attached by the Council to the wider education provided by the students' societies in the training for membership of the Institute.

6. Where an articled clerk does not join a students' society in accordance with the terms of his articles the articled clerk and his principal will, in the event of persistent failure to join a students' society, be informed that the articles are regarded as ineffective for all purposes of the Royal Charters and bye-laws.

7. The prescribed clauses have been a major influence upon the development of the activities of students' societies. They have led to an increase in both the number of those societies and the facilities which the societies are able to offer to their members.

FACILITIES PROVIDED BY STUDENTS' SOCIETIES

General Activities

8. The Council introduced the compulsory membership clause in articles of clerkship because it believed and continues to believe that active membership of a students' society is an important part of the education of an articled clerk. The Council is convinced that students' societies can offer facilities for the education of future members of the profession, beyond the limits of the examination syllabus.

9. Few articled clerks can fail to profit from using the opportunities to take part in the general activities of students' societies. The necessary encouragement to do so should be given from the very beginning of the period of articles. Indeed, in the first year of

service it is particularly important that the articled clerk should begin the approach to his future career with the right outlook.

10. The societies arrange lectures, discussions, mock meetings and debates, usually on subjects of importance in the profession and not necessarily selected with a view to preparing students for the examinations of the Institute. They also organize short residential courses of lectures at which discussion in groups is specially encouraged, as well as social and sporting events. These activities have great value in training articled clerks to marshal ideas, in making them conversant with the procedure at meetings, in introducing them to leading members of the profession, in providing opportunities for clerks to discuss their experience and problems with each other and in cultivating that sense of corporate responsibility without which an articled clerk cannot later take his proper place in the profession.

11. Demonstrations of accounting machines and office equipment and visits to offices and works and to such institutions as banks, stock exchanges, law courts and various commodity exchanges all play their part in broadening the knowledge and education of articled clerks.

12. The societies' libraries are another valuable feature of the facilities available. By giving a clerk access to a comprehensive range of books relating to the profession a students' society can encourage him to read widely and can provide him with a selection of additional reading to supplement examination textbooks.

13. An articled clerk's studies for his examinations and his practical experience should be supplemented by the wider education which the students' societies are able to provide. A newly-qualified chartered accountant will then be better able to face the responsibilities which await him and to recognize his obligations to the Institute of which he has become a member.

Tuition

14. In addition to the facilities referred to above, there are tuition classes or lectures arranged through students' societies designed to aid articled clerks in their practical work and in their preparation for examinations; these offer the benefit of oral instruction which some clerks find specially helpful and can form a valuable supplement to regular reading and written work.

15. Unless a small membership makes it necessary, students' societies should not endeavour to expand tuition classes at the expense of their wider educational activities. Whatever may be provided by way of tuition classes the aim of each students' society should be to arrange a separate and adequate programme of wider educational activities and to persist with members in securing their attendance.

16. In planning a programme a students' society should take fully into account other tuition lectures and classes which are available to its members and the times when they are held. This applies especially to arrangements in the period usually devoted to pre-examination revision.

'DISTANT' STUDENTS

17. An articled clerk who does not reside in or near the town in which a students' society has its headquarters is sometimes not in a position to take full advantage of his membership. In some cases it may be appropriate to provide reduced rates of subscription for such students but this is no solution of the problem of the 'distant' student. Means should be found to provide all articled clerks with the maximum possible benefit from their membership of a students' society.

18. Many students' societies have taken steps to meet the difficulties of these 'distant' students: the number of branches of students' societies has increased; local groups of articled clerks under the aegis of students' societies have been formed; some societies vary the town in which their activities take place; meetings are held on Saturday mornings or as a whole-day session so that members who reside at a distance can take advantage of a programme which would be impossible for them if held in the evenings. The residential course in particular is especially valuable and no more difficult to attend than for the articled clerk in the society's home town.

19. The importance of membership of a students' society is such that no application to omit the prescribed clause in articles of clerkship relating to membership has been granted merely on the grounds of distance. The Council's view is that an articled clerk should keep himself in touch with the activities of his students' society. He will be able to take advantage of the postal lending facilities of the society and to make arrangements to attend a particular meeting or function which he feels would be of special value to him and, in particular, the residential course.

20. Articled clerks who may be working away from the offices of their principals may find it convenient during such absence to take advantage of the facilities offered by a students' society (or its branch) in the area where they are temporarily engaged. Students' societies welcome such visitors and provide information on request.

MANAGEMENT

21. A valuable feature of students' societies is that their officers and committees are drawn largely from articled clerks themselves, enabling them to have experience in carrying responsibility for the society's affairs. The effective management of those affairs calls for enthusiasm, ingenuity, inventiveness, hard work and imagination, tempered by realism. It is well known that officers of students' societies have to undertake a considerable volume of work on behalf of those societies. The demands of study, particularly at examination times, are such that some articled clerks who would make capable officers fail to take the part they might do in these important duties.

22. The support and encouragement of the principal is of outstanding importance. In recent years Presidents of the Institute have emphasized the invaluable contribution which principals can make by giving their articled clerks the time and facilities necessary to act as officers of students' societies. Any articled clerk before accepting office should discuss the matter with his principal.

23. Support is readily given by district societies which take a 'parental' interest in the affairs of students' societies. Liaison between students' societies and district societies is achieved in a variety of ways, for example by:

(*a*) the appointment of members from the district

society to serve on the committee of the students' society;

(*b*) the establishment of a liaison committee, representative both of the district and students' societies;

(*c*) the practice of presidents of district societies receiving invitations to attend committee meetings of students' societies;

(*d*) unofficial contact between members of students' society committees and principals whose advice is valued.

24. The Council has not recommended the adoption of any particular method. It is more important that contact should be made without difficulty as and when desired rather than that liaison should take any particular constitutional form. Some students' societies may find it more convenient to make contact with a branch of a district society. A students' society cannot fail to profit from the benefits which can be obtained from members of the Institute taking an active interest in its affairs. The experience of the officers of district societies can be of especial value in the arrangement of lectures, residential courses and social functions.

FINANCE

25. Each students' society is expected to manage its own affairs so that it is self-supporting financially. Where a students' society wishes to undertake activities for which it cannot provide from its income, it is essential that discussions should take place with the appropriate district society. Each district society receives annually from the funds of the Institute a grant for use in its discretion to further its own activities and those of branches, students' societies and joint tuition committees in its area. It follows that district societies will consider the requests of students' societies against competing claims when determining the allocation of funds from their grants. This system of grants enables the assessment of such claims to be made in relation to the varying local needs. The grant system serves to underline the need for the closest liaison between district and students' societies.

26. In arranging the finance of any particular educational activity it is important to take care, so far as possible, no articled clerk is prevented from obtaining the benefit solely because any special fee which may be charged is too high for him.

SUGGESTIONS FOR DEVELOPMENT

27. The responsibility which the Council has placed on students' societies for furthering the education of articled clerks will govern their policy. An important part of their function will be to arrange activities of a broad educational value and to see that they are available to all their members. Constant effort is required to increase active membership.

Increasing the Support given by Articled Clerks Generally

28. The programme of a students' society will depend upon its size, its resources and its particular problems. The following suggestions, many of which have been drawn from the successful experience of students' societies, are offered:

(*a*) *Lectures*

29. No effort should be spared to secure leading personalities to give lectures or addresses. Wherever possible the individual should be a person who is either generally known as an authority on his subject or who has special knowledge derived from his career or achievements and who is a good lecturer.

(*b*) *Residential courses*

30. Without any substantial interference with either office training or study, residential courses for week-ends or other short periods can provide, as in no other way, the opportunity for wider education in its best forms, instruction and practical insight from lecturers and also facilities for full and personal discussion and the development of the feeling of corporate responsibility in the profession. Special care should be taken to avoid reducing such courses to mere cramming; the effect is inevitably to lose the major benefit of the wider education which they can offer and also to encourage articled clerks to postpone or even to abandon the essential study which must be carried out as part of the normal correspondence course.

(*c*) *Mock meetings, debates and discussions*

31. The most fruitful source of education and enjoyment is to be found in those activities in which articled clerks themselves participate. These best serve to encourage orderly thinking, reasoned argument and clear convincing speech. Careful choice of subject and discussion leaders is necessary and the subject must be of general interest to give the widest opportunity to take part. It may be desirable to limit some meetings and discussions to newly-articled clerks.

(*d*) *Visits*

32. Demonstrations of accounting machines and office equipment, visits to local offices and works, banks, stock exchanges, law courts and commodity exchanges are of practical value in broadening the knowledge and education of articled clerks.

(*e*) *Social and recreational*

33. Social functions provide an opportunity for articled clerks to meet each other, leading members of the profession and eminent men in other walks of life and they promote personal contacts wihin the profession. Sporting activities are another valuable feature of students' societies, some of which have regular annual fixtures with other student bodies.

34. An essential requirement for the success of the students' society activities is enthusiasm on the part of members. Enthusiasm will not breed by itself; it must be stimulated by impressing upon each member the importance to him of taking full advantage of the facilities available. Few articled clerks appreciate the importance of the wider activities of students' societies in which they should participate quite apart from any tuition course for their examinations. An imaginative and persistent approach to all new members is essential. It should be supported by an approach to principals to encourage their articled clerks to take a keen and active interest throughout the period of articles in spite of the calls of the examinations upon their time.

35. Lack of support for any lecture or function should be a challenge to any students' society. A programme, however well organized, will fail to

attract those who are not convinced of the benefits of a students' society. The following suggestions are made:

(a) a canvass by those who attend regularly of those who are seldom if ever seen at meetings;

(b) the provision of informal social occasions; though a students' society is not primarily a social club, these activities may help to create an interest in its other functions;

(c) special circulars drawing attention to any particularly attractive event in the society's programme; posting programmes on office notice-boards, separate programmes for autumn and spring sessions, short descriptions in programmes of the content and importance of each lecture;

(d) inviting members who do not attend to indicate their reasons for non-attendance and asking them to suggest, for example, lecture subjects and other types of activity which would be of interest to them and to others.

36. The task of increasing the proportion of active members is perhaps the most important which the committee of a students' society has to face. Efforts should be regular, persistent and organized. It can properly be made the special responsibility of a member of the committee to record and analyse attendances and by this means to suggest what action should be taken to encourage others to attend. Under one of the prescribed clauses in articles the principal has 'the right to ask for reports relating to the articled clerk' from a students' society and records of attendance at lectures and other functions should therefore be maintained.

Increasing the Participation of 'Distant' Students

37. The special difficulties confronting 'distant' students are the time and expense involved in travelling to centres at which meetings are held. The attitude of the principal may be a material consideration where, on account of travelling time, absence during office hours is necessary. The following suggestions are made:

(a) The holding of a full day's session

38. A full day's session could include lectures both of general interest and of a 'tuition' character. Although in ordinary circumstances it is considered inadvisable to combine such activities, it may be helpful in encouraging 'distant' students to attend. In most cases a Saturday will probably be the most convenient day; a series of Saturday morning lectures and discussions is a common feature of many students' societies.

(b) 'Repeat' activities

39. Lectures considered to be of special importance could be given again at centres other than those at which meetings are normally held.

(c) Variation of main centre

40. Lectures can be held on occasions at centres other than that at which activities are normally conducted.

(d) Local groups

41. Local groups need not be established on formal lines. An interchange of experience and problems in a small group can be invaluable. To organize such groups effectively will require a keen articled clerk probably in the latter part of his service, or a member who has recently qualified, to act as group leader for local arrangements. It will also require help from local practising members who are prepared to act in an advisory capacity and to attend meetings perhaps three or four times a year; such members may often be able to assist with accommodation for meetings.

(e) Residential courses

42. Residential courses are probably the most valuable means of providing facilities for 'distant' students. All students' societies are advised to consider earnestly the holding of such courses. It may be necessary for two or more societies to combine to make effective arrangements. They need not be over-ambitious either in length or in the number of lectures provided: the opportunity of discussing problems is the essence of the occasion. While many articled clerks attending residential courses also attend regularly at the normal lectures and meetings held by students' societies, it is proper that 'distant' students should be given every opportunity and encouragement to attend. Articled clerks should be divided into small groups for discussion purposes, and each group requires a suitable leader. Many students' societies now arrange these courses and therefore advice on the problems arising is available to other societies who wish to profit from that experience. The honorary secretary of the Union of Chartered Accountant Students' Societies will be pleased to give advice.

ENCOURAGEMENT BY PRINCIPALS

43. Students' societies may find it rewarding to approach principals to encourage their articled clerks to take a keen and active interest in the activities of students' societies. The advice of the appropriate district society is regarded as an essential first step in considering any such approach. Suitable occasions may arise as follows:

(a) on acknowledgment of the clerk's entrance fee and/or annual subscription;

(b) when a newly-articled clerk who has been a member for some months does not appear or does not appear frequently at meetings;

(c) at the end of a session when the students' society would, if asked, be in a position to give a report on the articled clerk under the relevant prescribed clause in his articles.

44. It is regarded as important that principals should be kept informed of the programme of activities of the students' society. In particular, activities such as full-day meetings and residential courses which require absence from the office of the principal should be published well in advance so that there is ample time to make arrangements for the clerk's absence.

45. One of the best long-term methods of ensuring that members of the Institute come to regard the activities of students' societies as an integral part of the training of articled clerks is to encourage articled clerks as they qualify to remain members of the students' society. To the extent that they have derived benefit from their membership they will, whether they remain in a practising office – as qualified assistants and perhaps later as principals – or take up positions in industry or commerce, be able to make a useful contribution to a students' society.

ACCOUNTANTS IN INDUSTRY

President's Views at Northampton Dinner

What I have to say about accountancy will, I hope, be of interest to all industrialists, who must be vitally concerned with the development of a profession which is at the roots and, if I may use the word, is the handmaid of all human endeavour, said Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of the Leicestershire and Northamptonshire Society of Chartered Accountants held in Northampton on Monday.

He said that at the present moment, after the considerable administrative effort of integration with the Society, which had brought Institute membership up to 32,000, two committees had been set up to study the education and training of members and all the Institute's technical activities, which included research into every aspect of an accountant's work. Mr Peat continued:

'We are aiming at producing as a qualified chartered accountant a man or a woman who has the basic understanding of accounts, costing, management accounting and commercial law which will put him or her in the position to practise as a chartered accountant or take up a post in industry and, if he or she wants to do so, to become a specialist in some department of accountancy.

'What is going to be the kind of industrial world we must train our members to serve? I am told that of the total industrial set-up, 82 per cent represents small industrialists, 18 per cent the big boys. What are going to be the conditions in which these two sections of industry are going to operate? I believe they will enjoy an expanding market but keen competition, and that there will be a tendency to increase the share of the larger industrial concerns. Two points emerge, the importance of the smaller industrialists, who very often form the pioneering spearhead of industry, and the necessity for increased efficiency in the larger combines and, may I say without offence, the necessity of stopping the dead hand of departmental autocracy creeping into their management.

Modernization of Audit Procedure

'What can accountants do about these things? We must continue to audit the balance sheets of our clients and see that they present a true and fair statement of the financial position. I think the audit procedure is due for considerable modification and modernization, but that must wait for a new Companies Act, on which I hope the Institute will have a chance to make important suggestions.

'In addition to our ordinary audit work, and in fact in advance of it, chartered accountants must be trained and be prepared to advise their clients, large or small, how to produce most efficiently. You know the definition of production. It is: "To supply the goods and services needed by the community with a minimum consumption of real resources".'

'To put it very shortly, the great problem of production is the eliminating of waste. We are evolving into the industrial age of work study and management accounting, and if I may use the term, pure accountancy must be the handmaid of both these comparatively modern developments.

'As an Institute we are boldly facing the future. We may make many mistakes, but we have a very correct idea of our objectives and, I believe, given time, will achieve them.'

In conclusion, Mr Peat congratulated the Leicestershire and Northamptonshire Society on their latest report to December 31st, 1958, which indicated a very healthy and expansive programme, including residential lecture courses for students and social occasions – together with a balance on the right side of the income and expenditure account.

'Foursquare' House

Proposing the toast of the Institute, Alderman Ewart Marlow, M.C., chairman of Northamptonshire County Council, quoted from the Institute's royal charter granted by Queen Victoria in 1880: 'The profession of public accountant is a numerous one and the functions are of great and increasing importance.'

That had been said nearly eighty years ago, he continued, and how true it still was today. The foundations had been truly laid and from them a house that was 'foursquare to the profession of accountancy' had grown.

The charter had remained unaltered until 1948 when a Supplementary Charter was granted by King George VI. He knew of no other charter of a professional body that had lasted so long without alteration.

A great understanding had come in the sixty-eight years that had passed, for the Supplemental Charter referred to 'the high standard of professional education and knowledge secured for the community and the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on the professional accountant'.

This showed, he said, the high position to which the profession had grown. It could only have been attained by strict rule of conduct, by professional ability and the highest character and moral behaviour of the members. Here was a great example of professional integrity and personal conduct in business.

Company Planning

The planned activities of companies were vital today, he continued, and the accountant was called on to advise on the amount of money needed, the number of staff and their costs, selling conditions, budgetary control and ascertainment of costs. That was business efficiency, which was so important and necessary.

The accountant was also playing an increasing part in local government. It was not easy, but it was essential, to keep spending committees, which were clamouring for more money, to a controlled budget.

A toast to the guests was proposed by Mr J. B. Corrin, F.C.A., President of the Leicestershire and Northamptonshire Society of Chartered Accountants, who was in the chair. Mr Arthur S. Baxter, O.B.E., B.SC., President of the Northampton and County Chamber of Commerce, responded.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

A new edition of the *Short List* of books in the library of the Institute, including books available on loan, has just been issued. Copies of the list are available to members, free and post free, from the librarian upon receipt of an addressed label.

PERSONAL

MESSRS THOMAS L. THEOBALD & SON, Chartered Accountants, of 19 Buckingham Street, Strand, London, WC2, announce that Mr THOMAS JOHN THEOBALD, A.C.A., has retired from the firm, but continues to be available in a consultative capacity. They also announce that Mr HUGH VERNON ALDERSLADE, A.C.A., has been admitted to the partnership as from September 14th, 1959. The style of the firm remains unchanged.

MESSRS GRAY, STAINFORTH & CO, Chartered Accountants, of 85 New Cavendish Street, London, W1, and 11–15 Monument Street, London, EC3, announce that Mr FREDERICK CHARLES PHIPHARD SHEARS, A.C.A., who joined the firm in 1938, has been admitted as a partner as from September 2nd, 1959. The style of the firm remains unchanged.

MESSRS MCCLELLAND, MOORES & CO, Chartered Accountants, announce that as from October 26th, 1959, their offices in Glasgow will be at 112 West George Street, Glasgow, C2, and 37 Renfield Street, Glasgow, C2. The telephone number of both offices will be Douglas 9966.

PROFESSIONAL NOTES

Mr E. E. Bullen, M.B.E., A.C.A., finance manager, Shell Chemical Co Ltd, has been elected to the board as finance director.

Mr D. A. Smart, A.C.A., formerly assistant secretary, Bairns-Wear Ltd, has been appointed secretary of the company.

Mr A. M. Simmers, A.C.A., secretary and chief accountant, English Steel Corporation Ltd, has been appointed a special director of the company.

The Hon. J. W. Remnant, A.C.A., has been appointed director of Atlas Electric & General Trust Ltd.

Mr Alan F. Campbell, A.C.A., accountant, Ernest Scragg & Sons Ltd, has been appointed secretary of the company and of the Scragg group of companies.

Mr J. M. S. Coates, O.B.E., F.C.A., has been appointed a director of Pyman Bell & Co Ltd.

Mr W. H. Ferrar, A.S.A.A., chief accountant of De Beers Consolidated Mines Ltd, has been appointed an alternate director of De Beers Industrial Corporation Ltd.

Mr John T. Lewis, O.B.E., J.P., F.C.A., has been appointed vice-chairman of Wellington Tube Holdings Ltd.

Mr Donald Joe Simons, A.A.C.C.A., A.C.I.S., has been appointed finance and accounts manager of the North-Western Division of Shell-Mex and B.P. Ltd.

SCOTTISH INSTITUTE'S COMPUTER COURSE

Eighty-six members of The Institute of Chartered Accountants of Scotland attended the second of the Institute's computer courses held from October 14th–17th at *The Marine Hotel*, Troon, Ayrshire.

Mr Alexander McKellar, C.A., Vice-President of the Institute, welcomed members and the course was opened by the convenor of the computer course committee, Professor Robert Browning, M.A., LL.B., C.A., Professor of Accountancy at Glasgow University. Among the subjects dealt with were: 'Introduction to electronic data processing', by Mr T. B. Simpson, C.A., of Alexander Stephen & Sons Ltd; 'Programming: coding a business problem', by Dr S. Gill; and 'Problems to solve before and after installation of a computer', by Messrs D. G. E. Benzie, D.F.C., C.A., J. T. H. Macnair, M.C., B.A., C.A., both of London, and practising accountants, J. W. Randall, A.C.W.A., of Rolls-Royce Ltd, and J. H. Spooner, of the United Steel Companies Ltd. Other features of the course included two question-time sessions, films on computers, followed by a short introductory talk on computers by Mr P. V. Ellis, of International Computers and Tabulators Ltd, and a visit to the I.B.M. factory at Greenock where members saw a computer in operation.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Members' Dinner

The Institute of Cost and Works Accountants held a dinner at *Quaglino's*, St James's, London, last Tuesday. The President, Mr Edward Emmerson, A.C.A., F.C.W.A., was in the chair, and the guests included:

The Rt. Rev. and Rt. Hon. Henry Montgomery Campbell, M.C. (*Lord Bishop of London*); Mr S. P. Chambers, C.B., C.I.E.; Sir Charles Cunningham, K.B.E., C.B., C.V.O. (*Permanent Under-Secretary of State, Home Office*); Mr G. B. Esslemont, C.B.E., J.P., M.A., LL.B., B.COM., C.A., F.I.M.T.A. (*President, The Institute of Municipal Treasurers and Accountants*); Mr William Jackson, F.A.C.C.A. (*President, The Association of Certified and Corporate Accountants*).

Mr Thomas Lister, M.A., C.A. (*President, The Institute of Chartered Accountants of Scotland*); Sir Sydney Littlewood (*President, The Law Society*); Mr C. U. Peat, M.C., M.A., F.C.A. (*President, The Institute of Chartered Accountants in England and Wales*); Councillor Group Captain G. H. Pirie (*The Rt. Worshipful The Mayor of Westminster*); The Rt. Hon. The Lord Radcliffe, P.C., G.B.E.

The toast of 'The Institute of Cost and Works Accountants' was proposed by Mr S. P. Chambers. In his reply, the President extended a welcome to the guests who, he said, were representative of the Government, civic, professional, financial, industrial and business life of the country. Referring to the essential need for efficiency in every way if British industry was to maintain a competitive standard in world markets, Mr Emmerson pointed out that income tax and profits tax now take $48\frac{3}{4}$ per cent of the

profits of industry, against only 22½ per cent twenty-five years ago, and added:

> 'The management accountant has a formidable task in carrying out the necessary financial planning to ensure that taxation payments do not deplete the resources of the business below the minimum necessary for the efficient continuance of the business. It is a very great source of concern to many business men that the funds needed for expansion and for modernization are taken away in payment of taxes.'

NORTH REGIONAL COST CONFERENCE

About 150 accountants from Sheffield, Leeds, Liverpool, Manchester and other parts of the north country, attended a one-day cost conference held by The Institute of Cost and Works Accountants at *The Grand Hotel*, Sheffield, last Saturday.

The conference was opened by the President of the Institute, Mr Edward Emmerson, A.C.A., F.C.W.A., of Leeds, and two papers were presented: 'Why does management spend money on cost accounting?', by Mr M. A. Fiennes, managing director of Davy-United Ltd, and 'Future trends and prospects for management accounting', by Mr H. H. Norcross, F.C.W.A. Both papers were followed by discussion.

At luncheon, the principal guests were Alderman A. V. Wolstenholme, J.P., Lord Mayor of Sheffield, and Mr F. G. Jones, F.I.M.T.A., the City Treasurer.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The first lecture meeting of the 1959–60 session of The Leeds, Bradford and District Society of Chartered Accountants will be held at the Chamber of Commerce, Bradford, on November 4th when Mr J. G. Vaughan, A.C.A., managing director of the Charterhouse Finance Corporation Ltd, will deliver a lecture on 'Public issues and the procedure for obtaining a quotation on the Stock Exchange'. Members and articled clerks wishing to attend should notify Mr C. W. Allan, B.COM., F.C.A., 12 Piccadilly, Bradford, 1, by Monday, November 2nd.

Other meetings have been arranged as follows:

December 8th: 'Work study in the office', by Mr N. H. Wigginton, of Associated Industrial Consultants.

January 15th, 1960: 'The valuation of gifts *inter vivos* for estate duty purposes', by Mr Martin Jacomb, Barrister-at-Law.

February 12th: Joint meeting arranged with the Association of H.M. Inspectors of Taxes.

'Two views of the same results – the Inspector and the accountant look at profits', by Sir William Carrington, F.C.A., member of the Council of The Institute of Chartered Accountants in England and Wales.

March 11th: 'Minority interests in private companies', by Mr G. W. Grove, LL.M., Barrister-at-Law.

With one exception, all the above meetings will be held at the Leeds and County Conservative Club, Leeds, commencing at 6.15 p.m; that on January 15th will be held in the reception room, *The Midland Hotel*, Bradford.

Luncheon Meeting

A luncheon meeting will be held at *The Great Northern Hotel*, Leeds, next Friday at 12.45 p.m. when Mr F. Melville Stephens, T.D., A.C.A., a member of the Leeds Stock Exchange, will give a talk on the work of the Stock Exchange. Members wishing to attend should notify Mr H. Bolton, F.C.A., Messrs Smithson, Blackburn & Co, Atlas Chambers, King Street, Leeds, 1, by Tuesday next.

Golf

The Society's annual golf meeting was held at Ganton Golf Club on October 2nd in perfect weather and was attended by forty-four members.

The competition for the Blackburn Cup, played under handicap on the Stableford system, was won by Mr Sidney Jones with a score of 38 points. In addition this year the Holliday Cup, formerly played for by the Yorkshire Society of Incorporated Accountants, was awarded to the player with the best gross score and this was also won by Mr Jones with a good return of 77.

The leading scores were as follows:

BLACKBURN CUP

S. Jones (5)	38 points
I. D. Sutherland (24)	37 "
A. H. Hamer (20)	36 "
A. M. C. Smith (10)	35 "
T. H. Burdon (15)	35 "
T. L. Waring (4)	34 "
D. L. T. Creer (8)	34 "
G. P. Marsden (12)	34 "
W. Rayner (11)	34 "

HOLLIDAY CUP

S. Jones	77
T. L. Waring	80
D. L. R. Creer	83
A. M. C. Smith	84

In the absence of the President of the Society, Mr H. L. Simpson, F.C.A., who was unavoidably prevented from attending, Mr C. W. Boyce, C.B.E., F.C.A., a Past President, who had been taking part in the competition, presented the cups to the winner.

COURSES ON BUDGETARY CONTROL

Two introductory courses on budgetary control designed to provide an understanding of how flexible budgetary control is operated and of the potential benefits have been arranged by Management Courses Ltd.

The first course will be held at *The Piccadilly Hotel*, Piccadilly, London, W1, from October 28th–29th, when the speakers will include Mr F. Clive de Paula, T.D., F.C.A., F.C.W.A., and Dr James M. S. Risk, PH.D.,

F.B.I.M. The second course is to be held at *The Midland Hotel*, Peter Street, Manchester, 2, from November 4th–5th, when the speakers will include Mr Kenneth G. Vickers, F.C.A., F.C.W.A.

The fee for each course is fifteen guineas and reservation forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

INSTITUTE OF INTERNAL AUDITORS
Audit Assistants' Course

The London Chapter of the Institute of Internal Auditors is holding a course on internal auditing for members' assistants during October and November. The course will comprise a series of five discussion meetings and a demonstration of punched card and electronic machines. Details are as follows:

October 26th: 'The purpose and significance of internal audit', by Mr J. O. Davies, F.C.A., A.C.W.A.
November 2nd: 'Establishing an internal audit function', by Mr D. Taylor.
November 9th: 'Internal audit as seen by the statutory auditor', by Mr R. F. Sumner, F.C.A.
November 16th: 'Operational research', by Mr H. R. Watkins, B.SC.
November 23rd: 'Any questions', Panel: Mr G. W. Moyse, A.C.A., Mr R. G. Nicholson, C.A., Mr P. W. Hoskin, A.C.A., A.C.W.A., Mr E. A. Kimber, A.A.C.C.A., Mr R. H. McNeill, A.A.C.C.A.
November 30th: Visit to I.B.M. organization.

Further information regarding the course and the Chapter may be obtained from the Chapter Secretary, Mr E. N. Judge, A.I.M.T.A., A.C.W.A., c/o South Eastern Electricity Board, Queen's Gardens, Hove, 3, Sussex.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held next week:

Monday, Visit to Martins Bank (limited number).
5.30 p.m. at the Institute: Lecture on 'Free trade and the common market', by Mr A. R. Ilersic, M.SC. (ECON.), B.COM. Chairman, Mr R. E. J. Fisher (Vice-Chairman of the Students' Society Committee).
Tuesday, Visit to Ford Motor Works (limited number).
5.30 p.m. at the Institute: Practice debate on the motion 'Capital punishment is an admission of failure'.
Wednesday, Demonstration of Underwood accounting machines (limited number).
7.30 p.m. at Westcliff-on-Sea: Lecture on 'Law', by Mr O. Griffiths, M.A., LL.B.
Thursday, 5.15 p.m. at the Institute: Introductory course lecture on 'Details of final accounts', by Mr F. R. Porter, F.C.A., A.C.W.A.
Friday, 5.15 p.m. at the Institute: Introductory course lectures: (1) 'The taxation system', by Mr F. R. Porter, F.C.A., A.C.W.A.; (2) 'The ownership and control of a business', by Mr P. W. Medd (Barrister-at-Law).
6.30 p.m. at St Paul's Tavern: 1959 group supper.

TOP MARKS FOR HANDWRITING
Accountants' High Standard

Accountants and architects have the highest standard of handwriting among the professions, according to the results of a recent investigation. The reputation for the poorest handwriting goes to the medical profession. Next to doctors as bad handwriters come business men – 'particularly successful ones'.

These results are given by the Parker Pen Co Ltd, which is conducting a series of inquiries into handwriting standards in the United Kingdom.

LECTURE ON RESTRICTIVE PRACTICES

A lecture on 'Restrictive practices: British and American experience compared', by Professor E. V. Rostow, LL.B., M.A., Professor of Law and Dean of the Law School, Yale University, will be given on December 1st, at the London School of Economics and Political Science, Houghton Street, Aldwych, London, WC2.

The lecture is addressed to students of the University of London and to others interested in the subject. Admission is free and without ticket.

RATE COLLECTION RETURN

The biennial return of rate collection[1], prepared by The Institute of Municipal Treasurers and Accountants, gives particulars of rate collection in all county boroughs, the City of London and Metropolitan boroughs and a representative selection of 216 non-county boroughs, 198 urban districts and 121 rural districts.

The average cost of collection for each 100 assessments for county boroughs was £34 in 1958–59 compared with £32 in 1956–57. For the City of London and Metropolitan boroughs the average was £62 compared with £58, for county boroughs £42 (£38), urban districts £43 (£41), and rural districts £44 (£41). The average for all authorities was £41 in 1958–59 – a rise of £3 on the preceding two years.

The return gives statistical details of the arrangements made by authorities for the rating of owners and for granting discounts. Also included is an analysis of the various items of rates not collectable, each item being expressed as a percentage of total rates.

'THE MANAGEMENT BURDEN'

Mr Harold Wilmot, C.B.E., Vice-President of the British Institute of Management and chairman and managing director of Beyer, Peacock & Co Ltd, will speak on 'The management burden' when he gives the fifth Elbourne Memorial Lecture at 8 p.m. on Friday, October 30th, at the Royal Commonwealth Society, Northumberland Avenue, London, WC2. Admission is free without ticket.

[1] *Rate Collection 1958–59.* The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

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CONTENTS

Forthcoming Legislation

THE Queen's speech at the opening of Parliament on Tuesday promised a good deal of legislation in the business world of a remedial or codifying kind. One of the Bills to be introduced will strengthen the present law relating to building societies. This is not only an echo of the troubles of the State Building Society but also of remarks made by THE REGISTRAR OF FRIENDLY SOCIETIES in his last report on building societies, to which we drew attention in the issue of June 6th last. We pointed out that, contrary to widespread belief, building societies are not restricted to advancing money to owner-occupiers; they can and many do embark on more speculative mortgage business. Those that do are often the ones which offer a higher rate of interest than the norm. Nor is it unknown for societies to grant loans to companies in which their own directors are interested. The last major Act was the Building Societies Act, 1874, although there have been minor changes since. At present, all that is needed in order to start a new society is a registration fee of £20, three members, a secretary, and rules conforming to the regulations. Moreover, a brisk trade is done in moribund societies of respectable name and antiquity which are used in order to coax investment from the public.

As regards company law, no Bill is promised for this session, although the speech implements the Government's pre-election promise to initiate an inquiry into the working of the Companies Act – a matter which, no doubt, will take some time. The last inquiry, by the Cohen Committee, which took place in the years 1943 to 1945, resulted in the Companies Act, 1948. A good deal of change has taken place since then; in particular, the growing frequency of take-over bids and the doubts to which some of them have given rise, have caused people to wonder whether the present Act is still adequate. In fact, when referring to the proposed inquiry in a pre-election speech, THE PRIME MINISTER made it plain that take-over bids were the reason for the review. Possibly the new committee will also be asked to look into the special problems of unit trust legislation. Although in form a trust, a unit trust has for practical purposes much more in common with a public company.

From trusts to charities is a short step. The speech makes the welcome announcement that a measure is at last to be prepared to bring up to date the various statutes relating to charitable trusts. As long ago as January 1950, a Government committee was appointed to inquire into the law and practice (apart from taxation) relating to charitable trusts. This committee reported in 1952;

three years later, in 1955, the Government announced its policy on the subject, intimating, among other things, agreement that the statute law needed revision. (See *The Accountant* of August 6th, 1955.) Now, after another four years, it appears there is to be some action.

At long last, too, an attack is to be made on the more stultifying effects of the Truck Acts. Legislation is to be introduced to permit the payment of wages through a bank to any employee who so requests. The question of payment of wages by cheque was the subject of a leading article in our issue of May 2nd last in which we expressed the view that in the long term the granting of power to pay wages by cheque would work wholly for good. It would seem that the original object of the legislation restricting the right to pay wages by cheque was to protect the workman from shaky banks, perhaps banks in which the employer had a controlling interest. For this reason, the Truck Act in 1831, although permitting the payment of wages by cheque, stipulated that the cheque must be drawn on a bank having a right to issue notes. For the last thirty-seven years or so only the Bank of England has had the right to issue notes in England (though in Scotland a number of banks still have the right). This concentration of note-issuing into the hands of what is, for all practical purposes, the State Bank ought not to have the subsidiary effect of obliging vast numbers of employees, whether they like it or not, to take their wages in cash, with all the risk and inconvenience that this entails for both employer and employed.

The present betting laws are another fertile ground for anomalies and absurdities and a Bill is to be introduced to amend and modernize the law on betting and gaming. The precise scope of the reforms is, of course, anyone's guess, but it is to be hoped that drastic changes will be made so as to remove the anomalies without permitting the abuses to which unrestricted rights to bet might give rise.

Much is to be done in the field of industry and commerce. It is well known that there are certain areas, notably the cotton towns of Lancashire, where there is need to provide further opportunities of employment. The Government has promised urgent attention to this problem and in fact a Bill, the terms of which are unknown at the time of writing, was introduced on Wednesday to replace the Distribution of Industry Acts. New highways are to be built and existing roads improved. The Government will encourage further modernization of the railways and will devote special attention to the future of the aircraft industry.

In agriculture the system of guaranteed prices and the long-term assurances in the Agriculture Act, 1957, are to be continued. New legislation will provide for grants for horticultural growers and the Government will encourage more economic marketing of produce – in particular the reorganization and improvement of Covent Garden.

Of tax proposals there is of course no mention: the Budget statement cannot be anticipated.

International Chart of Accounts

by KENNETH S. MOST, LL.B., A.C.A.

THE history of accounting from the Middle Ages down to the present time is fairly well documented, and it is perhaps unfortunate that accountancy students in the English-speaking countries are not required to learn anything about the manner in which generally accepted accounting principles came to be developed. This lack of acquaintance with the traditions of our profession is not merely an academic defect, but has also contributed to the unfortunate divorce between financial and cost accounting, and has prevented accountancy in these countries from benefiting from continental work on the classification and coding of accounts.[1]

We find the following sentence at page 14 in Dr J. M. S. Risk's *The Classification and Coding of Accounts*[2].

'While the grouping of accounts has engaged the attention of accountants for many years, there have been few, if any, attempts to formulate the basic

[1] The exception to this is Australia, where the Institute of Management published a book on *Uniform Accounting* in 1950. The chart of accounts which this work contains is clearly based on continental models.

[2] Institute of Cost and Works Accountants, 1956.

> principles which should be used in creating a classification, and almost invariably the schemes produced are of an *ad hoc* nature, subject to change as the circumstances of a business are modified by internal or external pressures.'

This, however, is hardly the case. Just as every book-keeper who opens a set of books must first consider the order he will adopt in inscribing his accounts, so every writer on accounting from Pacioli to Schmalenbach has started from the examination of this fundamental problem. A considerable body of literature therefore exists, and the classification and coding of accounts has been refined by individual authors, trade associations and national accounting bodies, culminating last year in the publication of an 'International Chart of Accounts'[1] which, it is claimed, is applicable to all types of business organization in every country of the world.

History of Accounting Classification

Classification is the division of a subject into classes; and the classification of accounts is the division of accounts into classes. The reason for doing this has never been more clearly stated than by Descartes in his *Discourse on Method*:

> '. . . to divide each one of the difficulties I shall be called upon to examine into as many parcels as possible and required in order to resolve them'.

The early writers on accounting, such as Pacioli and Ympyn, attempted to classify accounts by distinquishing between accounts for values, expenses and results. By the end of the seventeenth century we can discern the tendency to adopt a primary classification into 'personal' and 'real' (or 'impersonal') accounts.[2] This distinction between accounts according as the subject-matter is, or is not, a person has given rise to what has become known as the 'personalist' school of accounting and is widely accepted by text-book writers in the English-speaking world. On the Continent, however, this distinction has long been abandoned in favour of a classification based upon the nature of the values the accounts contain.

Edmond Degrange, in a book entitled *La Tenue des Livres Rendues Facile* (Paris, 1795), further divided the 'real' accounts into five classes, for cash, goods, bills receivable, bills payable and profits and losses. Although Degrange took care to point out that there were other 'real' accounts outside this classification and that it was therefore incomplete, it found favour with a number of other writers who thus became known as *les cinquecontistes*.

Godefroid's Chart of Accounts

In 1864, the Belgian accountant, H. Godefroid, published his *Cours de Comptabilite Pratique, Industrielle et Commerciale* (Eds. Piette, Charleroi) which represents the first attempt to provide an integrated set of financial and cost accounts. He included in his book a chart of accounts based upon a division into chapters, titles and sections, in the same way that a book is divided for reference purposes. The chart contained six chapters, for: establishment expenses; departmental operations; capital and other special accounts; expenses; stocks and finances. Sub-classification proceeded according to the type of business operations, such as mining, steel-making, building construction and so on. With typical nineteenth-century assurance he wrote:

> 'Certainly the classification of accounts into chapters, titles and sections is the clearest, simplest and most natural which could be adopted in order to provide everyone with access into the tenebrous catacombs of book-keeping entries.'

Godefroid's chart was found useful by a number of large industrial businesses in Belgium and elsewhere, but it could not support further development. The primary classification was not based upon any relationship between the chapters, and indeed, was quite freely chosen without reference to any economic sequence of events or movement of values. In consequence, a chart prepared for a retail business would require a different set of chapter headings, and the subdivision of chapters into sections would produce a different result every time. Thus, not only was the chart unsuited for the preparation of annual accounts (for which it was not intended) but it was only adapted to the preparation of operating accounts in a limited range of manufacturing businesses, and could serve as a basis for neither practical nor theoretical instruction in accounting.

Leautey and Guilbault

Before leaving the nineteenth-century writers, mention should be made of Leautey and Guilbault's *Traite Theorique et Pratique de Comptabilite* (Paris, 1889). Although the classification adopted by these writers failed to attract the approval of practitioners, they made a consider-

[1] *Le Plan Comptable International*, Eds. Cambel, Brussels, 1958.

[2] Abraham de Graaf, *Instructie van het Italiaans Boekhouden*, Amsterdam, 1693.

able contribution to the theory of accounting upon which later developments were based. In the first place, they emphasized the 'permanent inventory' aspect of accounts, which means that an account is an inventory of the values which it is supposed to contain. It must show all entries in money values, all issues in money values, and the balance in money value. Further, the values must be maintained at original cost, for otherwise the accountant will be unable to draw any conclusions about the *movement* of values which it is his primary duty to record, measure and interpret. In the second place, they distinguished between the 'external' and 'internal' movements of values, and thus enabled subsequent writers to find a common framework within which to classify all movements of values, and not only those between the business and its proprietors and third parties.

Schmalenbach and the New Approach

In the English-speaking countries, accountants were firmly rooted in the personalist tradition and with characteristic independence refused to admit that certain movements of values were common to all businesses, although this is implicit in all aspects of accountancy studies. It was left to a combination of business men and engineers to found The Institute of Cost and Works Accountants in England in 1919, and thus to provide an organization where the economic aspects of accounting could be fostered.

The significance of dividing accounts into 'personal' and 'real' appears to be that it enables the accountant to justify the use of separate ledgers for debtors' and creditors' accounts which would otherwise have to be incorporated in the general ledger. In addition to this requirement, the necessity to prepare periodical financial accounts caused accountants to enter accounts in the general ledger in the order in which they appear in the balance sheet and profit and loss account, which led to the prevalent opinion that classification of accounts is based upon answering the questions:

(1) Is this a balance sheet or a profit and loss account item? and
(2) What position does it occupy in the balance sheet or profit and loss account?

Although it would appear that these questions are only relevant for the preparation of annual accounts (and even then only after first solving the problem of the order in which accounts should appear in the balance sheet and profit and loss account), they so dominate British accounting thought that R. H. Ryall applies them to a costing system.[1] In consequence, he is obliged to submit two quite different classifications, one for a 'small or medium-sized concern', the other for a 'larger concern'.

On the Continent, and mainly as a result of the work of Schmalenbach, the long-standing primacy of the balance sheet was being disputed.[2]

It was felt that the movement of values was of far greater significance than their status at a given moment in time, and that an accounting classification should be based upon the nature of these movements. Further, the movement of values in a business corresponded with a certain sequence of economic events common to all businesses, and this sequence should be ascertained as a preliminary to classifying accounts. It was considered illogical to design an accounting system which must serve the day-to-day requirements of a business by recording, measuring and interpreting movements of values, according to the obligation to prepare annual accounts in a prescribed form.

Schmalenbach's chart of accounts, which he published in 1927, abandons the balance sheet-profit and loss account classification in favour of what has been named 'the cycle of the economy'. In this cycle, capital is raised for the purpose of investment; fixed assets and materials are purchased and a fund of working capital is formed; inventories of materials are issued to production, and, through the addition of elements of labour and expense, transformed into something saleable. The act of sale completes the cycle by liquidating the investment so that capital is once again available for investment.

This concept of the 'cycle of the economy' lies at the root of subsequent developments of the chart of accounts, and is encountered in the two outstanding examples of national charts of accounts, the German and the French. The course of events which accompanied the introduction of these two charts was strangely similar. The German Government attempted to make its chart of accounts compulsory during the Nazi period, in order to facilitate its economic control, but was sabotaged by the business men of that country who proceeded to keep two sets of accounts, one in the prescribed form and the other (the true set) in traditional manner. In 1949 they obtained the repeal of the provisions

[1] R. H. Ryall, *Dictionary of Costing*, Pitman, 3rd edition, 1952, page 73, et seq.

[2] See *Dynamic Accounting*, by E. Schmalenbach, translated by G. W. Murphy and K. S. Most. Gee & Co (Publishers) Ltd, 1959.

which made the chart obligatory, yet throughout Germany it is now being used on a voluntary basis since its convenience and other merits have been widely recognized.

In France, too, the Government intended to make its chart of accounts compulsory, but the response to its publication was so favourable (over 40,000 copies of the first edition were sold, besides innumerable textbooks explaining and expounding it) that this was found not to be necessary, and it is now obligatory only for nationalized industries and certain other classes of business. Yet it is being used widely and has evoked considerable interest abroad.

The Cycle of the Economy

The theory of the cycle of the economy has also provided a basis for an international chart of accounts (see illustration) prepared by an international committee of accountants appointed for the purpose as a result of a conference held in Paris in 1951. The aim of the committee was to produce a chart applicable by all businesses, irrespective of political, geographical or professional considerations. This project may have been influenced by pan-European considerations, but it also represents the culmination of a long series of events, some of which have been mentioned above, which can be interpreted as an attempt to establish accountancy as a science in the service of economic man.

The first movement in the cycle of the economy is 'investment', and here it is perhaps necessary to define this term in order to avoid ambiguity. Investment is the allocation of scarce resources to the attainment of a given economic objective. The act of investment is most clearly apparent when a company is formed, and a certain amount of money capital is specified for its operations.

After investment comes 'equipment' – the acquisition of fixed assets. Then 'finance' begins to flow – into the business from the sources specified by investment, and out for the purchase of fixed assets, some being retained to form a fund of working capital. Next, relations are established with third parties ('personal relations') – suppliers, customers, employees and so on. Raw materials (the 'basic elements' of the chart) are purchased and stocked, and issued to production where 'costs' (labour and expense) are incurred. 'Production' is then sold, and 'sales' of products or services transfer it to other parts of the national or international economy. As a consequence, investment again becomes liquid for the cycle

INTERNATIONAL CHART OF ACCOUNTS

Investment 1	Equipment 2	Finance 3	Personal Relations 4	Basic Elements 5	Costs 6	Production 7	Sales 8	Results 9
10 Capital	20 Intangible fixed assets	30 Cash	40 Suppliers	50 Raw materials	by type or nature	Products cost centres depts. etc.	Products Services Areas Customers etc.	90 Prior years
11 Partners' loans etc.	21 Fixed assets in construction	31 Banks	41 Customers	51 Manufactured parts				91 Investments
12 Legal reserves	22 Land	32 Bills receivable	42 Personnel	52 Consumable supplies				92 Equipment
13 Free reserves	23 Buildings	33 Bills payable	43 Government depts.	53 Goods				93 Finance
14 Profit & loss account balance	24 Fixtures	34	44 Partners' current accounts	54 etc.				94 Personal relations
15	25 Plant	35 Guarantees	45 Holding Co's. current account	59				95 Basic Elements
16 Long-term loans	26 Furniture	36	46 Subsidiaries' current accounts					96 Costs
17	27	37	47 Branches' current accounts					97 Production
18 Reinvestment	28 Depreciation provisions	38 Internal transfers	48					98 Sales
19 Branches	29 Other provisions (not Class 3 or 4)	39 Provisions	49 Provisions					99 Total

to recommence. In the last stage of the operations, 'results' are measured in order to ascertain profit or loss, and how it arose.

The Problem of Coding

It will be seen that the chart uses a decimal coding, which is the case for most charts of accounts published since the turn of the century. The code is the index to the classification and it was soon found that Godefroid's indexing was inadequate. Other types of coding have been experimented with, numerical, alpha-numerical and even alphabetical, but have been discarded as unsuitable. The utility of the decimal system is that it enables the total economy of the business to be conceived of as a unity; all economic values being accorded their places within this unity by means of the decimal system of classification. The chart is thus infinitely elastic and flexible, and new accounts can be added without disturbing the classification.

It is no coincidence that librarians, for whom a solution of the coding problem is a test of survival, have adopted the Dewey decimal system for their classifications.

The chart does not include Class 0, which has been reserved for statistical and other economic elements which are not part of the accounting system as such. A further facility offered by this system is that the national economy can be classified and coded decimally in the same way that the total economy of the business is dealt with, which opens up fascinating prospects for the consolidation of accounts on an industry or trade basis.

The Measurement and Utilization of Capital Employed—II

by JAMES M. S. RISK, B.Com., Ph.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M.

THE MEASUREMENT OF PROFIT

No General Theory

The subject of how to measure the profit of an industrial or commercial company has for long exercised the minds of experienced members of the accountancy profession. No general solution has yet been found which would be acceptable to everyone and capable of universal application. A valuable essay in this direction was made in 'Accounting statements – a general formula.'[1]

In the view of the present writer, the method of assessing profits based on an up-to-date valuation of assets and projection of current transactions – as advocated by Mr Lister – would fit conveniently into the second type of accounting statement proposed: namely, a valuation at present dates.

Profit or Loss of the Year

The annual attempts to snip the record of a year's activities from the moving ribbon of a business enterprise often result in the exclusion of certain gains which are realized and brought into account in a subsequent period. As the measurement of the use made of capital employed tries to reveal the profit made in a given period from the resources used up and utilized in that period, it follows that prior year adjustments should be excluded when computing the ratio for an individual year. If a moving average figure is used covering a number of years, the position will tend to right itself.

Interest and Dividends

As trade and general investments will have been excluded from the asset base, income from such investments should be omitted from the profits. Moreover, as debentures, bank overdrafts and other loans will have been excluded from current liabilities, the interest payable should be added to the net profit shown by the usual accounts, so as to obtain the profit before deduction of interest.

Sale of Fixed Assets

If the amount of the profit or loss on the sale of fixed assets is small in relation to total profit it may be ignored. If large, it may be wiser to exclude the amount altogether, so as not to distort the normal operating results from one year to another.

Prior Year Adjustments

Sometimes large sums are received in one year arising from finalization of government or other contracts, the physical work of which had been completed in a previous financial year. In such a case, it is suggested that the amount should be excluded from the profit of the year in question, but the profit of previous years

From a paper presented during the tenth annual summer school of The Institute of Cost and Works Accountants held in Cambridge from September 21st–26th, 1959. Part I appeared in last week's issue.

[1] 'Accounting statements – A general formula.' Thomas Lister, M.A., C.A. *Transactions of the Scottish Chartered Accountants' Students' Societies*. 1950–51, pages 95–120.

may, if practicable, be re-calculated and the return on capital employed modified appropriately.

Non-recurring Items

Special non-recurring gains or losses may be omitted from the profit when calculating the return on capital employed for management officials; but for the general investor, such items have to be brought into account for better or worse over a period of years.

In general, the object should be to avoid adjustments whenever reasonable to do so, because the more adjustments and refinements there are, the more the explanatory notes required and reconciliations between different sets of figures. Greater skill in interpretation is then demanded of the accountant.

Understatement of Profits

A desire to be on the safe side induces both accountants and directors to make provision for possible charges but not to take credit for potential gains. It has been suggested that 'regard must be paid to the effect of all the transactions of the period, closed or open, completed or uncompleted'.[1]

The present writer agrees with this proposal, for the appropriation account provides the place for prudence to be exercised.

The Charge for Depreciation

The nature and computation of depreciation are favourite topics for discussion among accountants. It is not proposed to deal with these problems in the body of this paper, beyond stating that for the purposes of calculating the return on capital employed it is recommended that depreciation based on actual cost of fixed assets should be used.

Lest it may appear that an important aspect of the subject of this paper has been omitted without just cause, let it be stated that the analysis of the purposes of accounting statements was largely submitted in order to clear the ground for the course adopted, namely, that of accepting depreciation on the basis of actual cost. Some further thoughts are offered in Appendix C.

The Sources of Profit

In measuring the utilization of capital employed, it will be helpful if the profit can be analysed so as to show how much of it has been engendered by the assets of the business, and how much may have arisen somewhat fortuitously from the tide of external economic currents.

Some years ago there appeared *An Essay in the Theory of Profits and Income Distribution*, by Professor Keirstead.[2] In a review of this book by Mr G. L. S. Shackle, appearing in *The Economic Journal* of March 1954, it is suggested that profits come from three sources:

(1) windfall profits;
(2) monopolist's profits;
(3) innovator's profits.

[1] 'Accounting statements – A general formula', *supra*.

[2] Basil Blackwell, 1953.

The review says: 'first, windfall profits result from sound "general expectations" concerning the circumstances that govern price-movements; secondly, monopolist's profit results from a well-judged and skilfully executed long-term marketing policy; and thirdly, innovator's profit is hoped for from well-timed adoption of new discoveries and inventions'.

If these comments smack somewhat of the economist's phraseology, they are mirrored in the reported practice of the European firm of Krupp. In a report of a discussion on efficiency comparisons, Dr Merk, of Krupp, is mentioned as stating that 'at Krupp's profits were analysed according to the following points of view:

remuneration of the entrepreneur;
interest on capital;
monopoly profit;
profits related to the dynamics of the market;
profits arising from pioneer activities'.[3]

That an analysis of this type is not regarded merely as a theoretical exercise is supported by Lister who claims that 'there is no inherent difficulty in differentiating between the normal profit margin of the merchant or the earnings of the manufacturer from the operations he is performing and the gains or losses resulting from the rise and fall in the materials in which he is dealing. The computation might prove troublesome in practice, but even an approximate separation would be informative, and I look forward to some advance in this direction'.[4]

Profit and Capital Employed

If the sources of profit enumerated above are considered to be correct, should one relate the whole profit to the assets employed, when part of the profit can be isolated as being due to temporary market fluctuations in raw material prices? The latter type of profit may well vary markedly from year to year, whereas this should not be so with the profit derived from normal trading operations.

For the financial investor, profit from all sources is relevant, but for the more precise measurement of the efficiency with which capital has been employed, it may be thought preferable to try to purify the profit of these extraneous windfall profits or losses.

The separation of the remaining profit between that arising from 'pioneer activities' or 'innovator's profits' and the residual trading profit may not be too easy an operation. Yet whenever some major capital expenditure project is proposed, an attempt is made to calculate the return on the new investment, so in principle it is no less sensible to check at a later date whether the estimated yield has been obtained from the 'innovation'.

When it is feasible to analyse the profit in the three ways mentioned, the constituent parts can be used

[3] Minutes of the meeting on efficiency comparisons within large organizations on December 17th, 1958, at Wuppertal-Elberfeld. Attended by Mr L. Taylor Harrington, of British Institute of Management, from whom the record of the meeting has been received.

[4] 'Accounting statements – A general formula'. *supra*.

to provide useful indices for different levels and functions of management. Different asset bases will be involved and a synopsis of the different ratios which may be calculated is given in Appendix A.

RETURN ON INVESTMENT

Different Viewpoints

It is desirable to state the different purposes for which a return on investment figure may be needed:

(1) A person (or a parent company) putting money into a company wishes to know what return he is receiving on the money he has put out; what he would get back if he tried to realize his investment and what he might receive if he invested the amount returned to him elsewhere. The amount in question will be share capital and any loans from the same source;

(2) The managing director of a company, taking a financial viewpoint, may wish to know what return he is making on the net assets he has to work with;

(3) The general manager of a company may take the view that he is not responsible for the way in which a company is financed, and so he feels himself to be concerned with the return obtained on the total of the assets employed in the business;

(4) The works manager of a company may consider that the terms granted to customers are matters of a commercial nature outside his control. He is thus concerned with the return on the physical assets in use;

(5) The sales manager may take as the asset base the finished stock and trade debtors *plus* any fixed assets used for the operations under his control.

The Investor

In the simplest case, let it be assumed that there is one shareholder who holds all the ordinary share capital and that there are no other kinds of shares or long-term liabilities. In that event the asset base will consist of the total assets at book values, less the current liabilities and less the reserves, including both capital and revenue reserves.

If the whole of a year's profit is not distributed, the investor has in effect made a further investment in the company. Should the profit be unchanged the next year, the return on the shareholder's investment will also be unchanged, but the percentage of the profit to the capital employed in the business will have fallen, because additional profit should presumably have been earned on the profit retained from the preceding year.

Alternatively, the net worth may be used as the capital employed from the investor's viewpoint.

The Managing Director

For the managing director (and the finance director), the figure of interest is the return on the net assets. Overdrafts, future tax provision and debentures will be excluded.

Here, the rate of return on capital utilized may be enhanced by taking the maximum credit from suppliers consistent with the lowest possible prices and satisfactory delivery dates. There is also an incentive to reduce credit to customers and to return any surplus cash to the shareholders (or parent company when finance is obtained by cash advances).

The General Manager

The total book value of assets used in a business may seem to a general manager to be the correct base to use when assessing the return on capital employed. As with other cases, certain adjustments may need to be made both to assets and to the crude profit figure before making the calculation.

The Works Manager

For the works manager, the physical assets may be the right figure to use, because he may have no control over the credit given to customers nor the amount of cash retained in a business; so the book value of fixed assets along with stocks would constitute the asset base in this instance. Even here, the manager may think that finished stocks should be excluded, if marketing policy dictates the holding of substantial quantities.

The Sales Manager

The sales manager may be concerned both with making sales and with warehousing and distributing the finished products. This should be a question of fact in each case. The asset base may include fixed assets used for warehousing purposes, transport equipment, and office buildings, along with the stock of finished goods and the amount of trade debtors.

Calculating the Return

Date of the Asset Base

The profit for the year may be related to:

(1) the asset base at the start of the year;

(2) the average opening and closing figures;

(3) the asset base at the end of the year.

It may be argued that the assets at the start of the year represent what a company has to work with in the process of making profits. Alternatively, it may be considered that the profits made in the second six months have had the use of the profits of the first half-year and that therefore an average should be taken. Finally, some may feel that the year-end assets should be taken as they show the total amount of money tied up in the business.

The opening figure of net worth is used for illustrative purposes in a recent publication by The Institute of Chartered Accountants in England and Wales, which states that 'the reserves . . . would normally be those existing at the beginning of the year but

some addition might be made for profits accruing during the year'.[1]

When a ratio involving assets is used, irrespective of the method of financing such assets, it is recommended that an average of opening and closing figures be used, because there may have been substantial fluctuations, particularly in stocks, between the two balancing dates.

The effect of using the different time bases is shown below in the case of one industrial company:

	Ratio of profit to total assets employed		
Year	*On opening assets per cent*	*On average assets per cent*	*On closing assets per cent*
1	16·7	15·7	14·3
2	18·8	16·3	14·5
3	18·9	17·1	15·5

During this period the assets were rising.

The Time Period

It is preferable that the periods over which the profit is earned should be of equal duration. This is assisted if a company works on the fifty-two week year basis.

Unfortunately, this does not dispose of the problem caused by the fluctuating date of Easter. For example, Mr Nigel Vinson, writing in *The Financial Times* of April 3rd, 1959, points out that in the financial year to March 31st, 1959, there were two Easter holidays, that is, a total loss of four production days. In the year to March 31st, 1960, there will be no Easter holidays – a gain of four extra production days – quite apart from the leap year day. Mr Vinson estimates that these extra days may give a net increased profit on sales of 1 per cent, rising, say, from 10 per cent on sales to 11 per cent, depending on the circumstances of each company.

Averaging of Profits

When profits tend to fluctuate, it may be helpful to show a trend based on, say, a three-year moving average figure. Using this basis for both total assets and profits, the results in one case are as follows:

Year	*Unadjusted per cent*	*Average at midyear of three per cent*
1	13·6	18·1
2	19·0	15·6
3	13·4	14·3
4	10·4	11·7

Rate, Uses and Limitations

Rate of Return

The rate of return on investments has been published by the London Stock Exchange.[2] For ordinary share capital in all industries, the gross return on market values rose from 4·2 per cent in 1947 to reach 6 per cent in 1954. In 1956, the figure was 5·95 per cent, dropping to 5·55 per cent in 1957, and then rising again in 1958 to reach 6·67 per cent. These figures are based on dividends and not on profits earned.

The range of profit earned in 1958 to capital employed in three industrial groups is shown below:

Group	*Return on total assets per cent*	*Return on net assets per cent*
A	12	16
B	7	9
C	12	18

It is of interest to note the return obtained in South Africa as given by 'A survey of the accounts of public companies for the period 1953–54 to 1956–57'.[3] The figures relate to 381 public companies whose shares are quoted on the Johannesburg Stock Exchange. The net profits, expressed as a percentage of the mean shareholders' funds, declined during the period from 16·4 per cent in 1954–55 to 15 per cent in 1956–57. These figures may be compared broadly with the return on net assets of the three British groups given above.

That the return to be expected may well vary from one industry to another is clearly shown by figures published in the United States and quoted in the Anglo American Productivity Report on Industrial Engineering.[4] Although the figures given are now considerably out of date, they serve to illustrate the range of return which exists. For example, net profits as a percentage of net working capital varied from just under 6 per cent for men's and boys' clothing up to about 27 per cent for bolts, screws, nuts and nails.

The return will vary from one company to another for a wide variety of reasons and it is probably more important that the trend should be in the right direction, than that the percentage should be closely similar to that of some other organization.

The Uses of Ratios

Since the early 1920s the American du Pont company has been calculating the return on investment, so that the tool is not a sudden arrival on the management scene.[5]

The uses to which these ratios can be put have been succinctly stated by Scott, as follows:

(1) to compare one's own results roughly or in detail with what is happening in the industrial and commercial world around;

(2) to keep an internal check on the trend of one's own over-all results;

(3) to make internal comparisons between one producing division (or department) and another;

(4) to provide an internal check on the comparative

[1] *Business Efficiency*. The Institute of Chartered Accountants in England and Wales. December 1958, page 39.

[2] *Interest and Dividends upon Securities quoted on the Stock Exchange, London*. 1958. 23 Throgmorton Street, London, EC2. Price 2s 6d.

[3] *The Accountant*, May 23rd, 1959, page 641.

[4] British Productivity Council, 21 Tothill Street, London, SW1. 1954. page 109.

[5] *N.A.A. Bulletin*, February 1954. 'Return on capital employed', F. J. Muth, page 699.

profitability of different products or product groups;
(5) to forecast and test the profitability of new products;
(6) to forecast and test the profitability of new plant.[1]

Limitations of Comparisons

It should not be assumed too readily that a comparison of great accuracy can be made between two companies or two factories, or two divisions. Certainly the figures may be placed side by side and they will either be the same, or be different to a greater or less degree. But whether any useful conclusions can be drawn from the operation is a question which has yet to be solved. An examination of the differences may prove stimulating and if this leads to constructive action, something valuable has been achieved.

These observations do not apply in the same degree to comparisons within a company from one period to another, and over a number of years. Even here, however, certain differences will arise because of changes in manufacturing facilities and in the product range made.

Ultimately the final return on investment must be satisfactory or the company will find itself in increasing difficulty. The trend of the various ratios has to be watched and adverse changes used to spark off management inquiry into the reasons which have caused such changes. Once the causes are known, it may not be too difficult to take corrective action.

In Appendix B an example is given, using simple figures, showing certain of the ratios which may be found helpful.

THE UTILIZATION OF CAPITAL EMPLOYED

Components of the Return

The final ratio of net profit to capital employed is a combination of two subsidiary ratios, namely:

(1) the ratio of sales to assets used; and
(2) the ratio of net profit to sales.

The relationships may be expressed thus:

$$\frac{\text{Sales}}{\text{Assets used}} \times \frac{\text{Profit}}{\text{Sales}} = \text{The return on capital employed.}$$

The percentage which net profit bears to sales is an important and commonly used ratio for management purposes. At this point we are concerned with the other aspect, the relationships between sales and the assets used.

Sales and Debtors

The extent of the credit given to customers and the effectiveness of credit control can be indicated by showing the ratio of sales to trade debtors. Should there be export business, involving medium- or long-term credit, it is desirable to compute separate ratios for home and export debtors.

[1] 'Forecasting and controlling the return on capital employed.' J. A. Scott, C.A., F.C.W.A., A.M.B.I.M., in *The Accountant*, of February 14th and 21st, 1959.

Sales and Stocks

The ratio of sales to stocks of finished goods (at selling prices) will show the stock of finished goods needed to support a given volume of business. For measuring the velocity of turnover of raw materials and work in progress, different bases are helpful. The average stocks of raw material may be related to the quantity of material issued to the manufacturing departments; while the average work in progress would be divided into the output at cost price to find the turnover.

Sales and Fixed Assets

The ratio of sales to fixed assets will show the volume of sales which has been generated by the use of a given amount of machinery and plant. But as sales are affected by changes in selling prices, it would seem preferable to use the cost of output, both because it would eliminate the effect of variable profit margins and because the effect of changes in stocks of finished goods would be eliminated.

Under-utilization of plant and equipment is an insidious form of waste, and appropriate ratios can help management by acting as danger signals.

CONCLUSIONS

The principal points included in this paper may be summarized as follows:

Measurement of Profit

(1) Accounts should be prepared on the assumption that a business will continue indefinitely, unless there are good reasons for thinking this will not be so.
(2) Profits should not be understated. The place for prudence is the appropriation account.
(3) Stocks should be valued at cost price. (Standard cost may be the best basis.)
(4) Depreciation should be on an actual cost basis.

Return on Investment

(5) If economics is the science of relating ends and scarce means with alternative uses, the concept of return on investment provides a yardstick by which to measure the success with which the scarce means have been used.
(6) The measurement of the return on capital employed should be based on the actual cost of resources used up.
(7) Net asset values should be used for fixed assets when calculating the capital employed.

Accounting Statements

(8) The main purpose of accountancy is to compare the cost of resources used up with the value set by the community on the goods and services produced.
(9) As demands for information become more detailed and intricate, the range and precision of accounting instruments must be increased.
(10) A variety of accounting statements is needed

today for a variety of interested groups of people.

(11) Each statement of account should be designed to serve one purpose only. This is of fundamental importance.

Single Purpose Statements

(12) *The past:* When used as a measure of past efficiency, the return on investment should be based on the actual cost of resources used up.

(13) *The present:* Information on the value of a company's shares at the present time may be given in a supplementary statement, using replacement values of assets and other valuations as appropriate.

(14) *The future:* Financial policy is a matter for the future; a financial plan should be prepared for several years ahead.

For the avoidance of waste and the direction of resources into the channels to which the community attach the greatest value, the measurement and utilization of capital employed provide instruments of great service for management to use.

In the future, these instruments will be adapted to a greater range and depth of purposes. In this task there is fruitful work for the management accountant.

APPENDIX A
Use of Different Asset Bases

Note: The analysis of total profit, in the manner indicated below, may well prove difficult in practice. If this be so, the total profit will have to be related to the various asset bases.

Market profits are those arising from price fluctuations. 'Innovator' profits are those arising from the introduction of new products or activities. Trading profits are the balance after isolating the other two items.

For Whom	Asset Base	Relevant Profits		
		Trading	Innovator	Market
1*a*. Investor	Shares held plus loans made to the company	x	x	x
b. "	Net worth	x	x	x
2. Managing Director	Net assets, excluding debentures, overdrafts etc.	x	x	x
3. General Manager	Total assets, excluding investments	x	x	x
4. Works Manager	Physical assets. (Fixed assets plus stocks)	x	x	
5. Sales Manager	Finished goods in stock, trade debtors, and relevant fixed assets	x		
6. Finance Director	All bases and returns to be kept in review			

The above scheme should not be regarded as hard and fast; there will be many variations in practice.

APPENDIX B
Illustration of Ratios

BALANCE SHEET

		£			£
Current liabilities	G	30	Cash	A	—
Overdraft ..	H	12	Debtors ..	B	20
Debentures ..	J	10	Stocks	C	30
Future tax ..	K	5	Investments ..	D	10
Reserves ..	L	3	Fixed assets ..	E	40
Ordinary shares	M	40			
	N	100		F	100

PROFIT AND LOSS ACCOUNT

		£
Sales	S	130
Cost of sales	T	117
Operating profit	V	13
Add Investment income (gross) ..	W	1
	X	14
Less Interest (gross) say	Y	2
Net profit	Z	12

RATIOS

	Nature of return	*Fraction* × 100		*Percentage*
1*a*.	On external investment ..	$\frac{Z}{M}$	$\frac{12}{40}$	30·0
1*b*.	On net worth	$\frac{Z}{K+L+M}$	$\frac{12}{48}$	25·0
2*a*.	On net assets (including investments)	$\frac{X}{F-G}$	$\frac{14}{70}$	20·0
2*b*.	On net assets (excluding investments)	$\frac{V}{F-D-G}$	$\frac{13}{60}$	21·7
3.	On total assets (excluding investments)	$\frac{V}{F-D}$	$\frac{13}{90}$	14·4
4.	On physical assets ..	$\frac{V}{C+E}$	$\frac{13}{70}$	18·6
5.	On trading assets (for simplicity, all stocks are included)	$\frac{V}{B+C}$	$\frac{13}{50}$	26·0

APPENDIX C
The Charge for Depreciation

Definitions

The purpose of accountancy has been stated as the comparison of the cost of resources used up with the value set by the community on the goods and services produced.

Part of the resources used up is a portion of the cost of fixed assets. (The term 'fixed assets' is assumed to include mobile assets and movable equipment.)

A fixed asset is one which has a value to the business beyond the end of the financial year in which it is first purchased and used to assist in the production of goods or services. Depreciation is the portion of the cost of fixed assets used up.

According to the definition given, the purpose of

depreciation is not the conservation of money for future use, whether to finance increased stocks and debtors or to buy new plant and machinery.

If the accounting procedure for depreciation results in some money being retained in the business, that may be all to the good. A business is financed in many ways and there are many calls on the finance which may be available.

Should these definitions appear to be somewhat elementary, they are none the less important.

The absence of agreement on the meaning of the word 'depreciation' has caused much confusion. As one writer has said:

> 'May I repeat that, in my view, the fundamental error is the misconception of the nature of depreciation, possibly due to the fact that before the war the depreciation provided to recover expenditure actually incurred did provide a sum sufficient to buy an identical piece of plant at the same price.'[1]

Origin of the Problem

During the 1939–45 war, much plant and machinery was used continuously and under severe pressure. While new machine tools may have been made available to some companies, in many others the end of the war arrived with a substantial proportion of the machinery in need of renewal.

Moreover, improved types of machines were available and these would cost more than the machines to be replaced.

A major feature was the physical destruction of wealth during the war; not only through enemy bombing but the use – essential for survival – of vast quantities of resources to provide all the weapons and equipment to pursue the struggle. Inflation ensued.

So, new machine tools and other fixed assets cost in money units several times the pre-war price, even had the new machine been identical in design and performance. After the war possibly the increase was not less than a factor of three.

Furthermore, the finance needed for stocks and debtors had risen appreciably; the weekly outgo of cash for wages was markedly higher.

To summarize: Much cash was needed:

(1) to cover large quantitative replacements of machinery;
(2) to cover the increased cost due to improved machines;
(3) to cover the huge rise in price of each machine due to inflation;
(4) to finance higher raw material stocks, work in progress and debtors.

To these items may be added the need for cash to finance expansion of output after the war; both for home consumption and for export.

Effect of Taxation

From 1940–41 to 1958–59 the standard rate of income tax was never less than 8*s* 6*d* per pound, compared with a rate of between 4*s* and 5*s* between 1922–23 and 1937–38. With various supplementary taxes on profits, cash was siphoned off from industrial companies in a continuous and forceful flow.

Thus there was a pincer movement against a company's financial resources: a great need for extra cash, combined with the removal of profit by high taxation.

Finance for Stocks and Debtors

Sometimes the importance of stocks and debtors as consumers of finance is forgotten: perhaps more often than not. Some years ago the findings of the National Institute of Economic and Social Research revealed that the additional finance needed for current assets was of the same order as that required for fixed assets.

What Assets are to be Bought?

It has been pointed out more than once that existing assets are not likely to be replaced by identical ones. For instance:

> 'Replacement of assets is, as often as not, likely to be effected not by replacement by an identical machine, nor by an improved machine working on the same product, but by an entirely different machine working in an entirely different place on an entirely new product.'[2]

As regards buildings. Leitch asks (in the article already quoted) whether any useful purpose would be served by providing 'the enhanced cost of replacing buildings which might well have . . . a further forty or fifty years' life when, in fact, such replacement is not even contemplated'.

Replacement of Wages and Materials?

Depreciation is only one element of cost. If it be advocated that a portion of the cost of machinery to be bought next year should be charged as part of the resources used up this year, why should not the same principle be adopted for other elements of cost?

If there is a wage claim under discussion which will probably result in an increase during the next financial year, why should one not charge the estimated higher wages immediately? Should materials be expected to rise in future years, should one not also debit a higher charge in this year's accounts?

Finance for the Future

It is submitted that the crux of the matter is the failure to recognize that one set of accounts cannot be expected to fulfil more than one purpose.

Can one expect one set of figures to:

(1) record the return on *past* investment;
(2) value the company at the *present* time;
(3) provide for finance in the *future*?

The provision of finance for the future is a subject which is much larger than the problem of measuring resources used up in the past. Is it necessary to distort the past in the attempt to finance the future?

Is there not a need to make a careful forecast of financial needs over the years ahead and to prepare a plan for finding the cash required, both from internal and from external sources? In other words, to decide on a financial policy, programme and means of achieving it? *(Concluded.)*

[1] 'The accountant and inflation: Changing price levels'. J. R. Leitch, C.A. *The Accountants' Magazine*, March 1957, page 161.

[2] 'The collection, allocation and recovery of overhead expenses in business'. J. A. Scott, C.A., F.C.W.A., A.M.B.I.M. *The Secretary*, August 1957, page 367.

Weekly Notes

Chambers of Commerce on Take-over Bids

THE Association of British Chambers of Commerce has announced that it is reconstituting its Company Law Committee in readiness for giving evidence to the committee which the Government is to set up to review the Companies Act of 1948 and related legislation. The Association is already at work on take-over bids. A working party to study the subject was set up in January and certain factual matters have been under inquiry. The first of these is the increase in the number of take-over bids made in answer to the Restrictive Trade Practices Act and its effect on price agreements. Other matters which have been considered are the problem of protection of shareholders who suffer from lack of information, the interests of employees (who are, in the view of the working party, the concern of the board of directors) and how their security is affected by a change of management.

Another question which has been examined is the present applicability of the Prevention of Fraud (Investments) Act of 1939. They think that Sections 13 to 15, which deal with circulars, could be amended in the light of present-day circumstances. They also consider that there might well be fuller disclosure of the part played by nominees in take-over bids and they draw attention to the protection offered in the United States by the Securities Exchange Acts. As the working party points out, however, the consideration of what has been done in the United States depends for its applicability in this country on considering how much protection can be given by the rules of the Stock Exchange instead of by legislation.

The Working Week

A YEAR or two ago, considerable anxiety was expressed about the social consequences of work-people doing long hours of overtime. An article in the latest issue of the Treasury Information Division *Bulletin for Industry* sets out the trend of hours worked in the average week over the last few years. The average week worked by men over 21 was at a post-war peak in 1955 when it reached 48·9 hours. This had been after a steady increase since 1947. Between 1955 and 1958 the week fell to 47·7 hours in October last year. There has since been a rise to 48 hours in April 1959. In the case of women, the highest weekly average was reached in 1954 when a 42-hour week was worked. This fell off to 41·2 in 1958 and there has since been a slight increase in the spring of 1959 to 41·5.

There is some evidence, therefore, that the length of the working week follows the trade cycle – and this is what would be expected. Overtime tends to increase when output is expanding and it is the first to be cut down when business is becoming slacker. In a state of full employment, when skilled workers are difficult to replace, there is a constant temptation for management to limit recruitment in the upswing and work existing operatives and staff harder so that when the downswing comes there is less need to turn off workers and so jeopardize the core of skilled experienced workers.

Hours worked in United Kingdom industry, according to the bulletin, are very similar to those in other Western European countries but longer than those in North America. Last April the average for all workers in this country in manufacturing industry was 45·7 hours. In Germany a comparable figure for June was 46 hours and France 44·3 hours. In contrast, however, the average in Canada was only 40·3 and in the United States 40·7 hours. The chairman of the Soviet State Planning Commission announced on Tuesday that Soviet economic plans for 1960 included a seven hour working day.

Balance of Payments

THE provisional balance of payments estimates for the first half of 1959, including figures for 1956, 1957 and the two halves of 1958, were published last Tuesday as a White Paper.[1]

The estimated current balance is derived from some figures which are clearly identifiable (e.g. Government transactions), and some which can be estimated only indirectly. On this basis, the White Paper estimates that in the first half of 1959 there was a current surplus of £142 million, compared with £237 million in the corresponding period of 1958. The balance of exports over imports was £23 million, a decline of £70 million from the exceptional visible surplus a year earlier, but still a good result; imports rose by £99 million, and exports by £29 million. Following changes in a number of items, the surplus on invisibles was lower by £25 million net than in the first half of 1958.

The chief item of long-term investment was the additional subscription of £232 million to the International Monetary Fund, of which £58 million was paid in gold from the reserves, and £174 million in sterling which increased the amount of sterling held by the Fund. The drawings on Government loans to Commonwealth Governments showed an upward trend while other net long-term investment in the sterling area continued at a high level. For the non-sterling area, inter-Government loans included credit items of £60 million arising from special transactions with the Federal German authorities related to the debt payment account which they opened in 1957. If allowance is made for this and for the additional subscription to the I.M.F., the outflow of long-term

[1] Cmnd. 861. H.M.S.O. Price 1s 6d.

capital in the first half of 1959 was at much the same rate as in the previous year.

Reserves rose by £37 million in the first half of 1959 despite two special payments in gold and dollars to the I.M.F. The sterling holdings went up by £95 million, but in the half-year there had been the additional sterling subscription of £174 million to the I.M.F. If allowance is made for this special transaction the overseas monetary position improved in the period by £79 million.

The *Jackson* Appeal

THE Court of Criminal Appeal has dismissed the appeal of Leonard Percival Jackson against his convictions before the Central Criminal Court of falsifying documents and of uttering forged documents. The Court has also dismissed the appeals of Donald Norris Morphew and Stanley John Hemmings against their convictions of forgery. The Court allowed the appeals of the three men against their convictions for conspiring to defraud by the fabrication of documents.

Giving the judgment of the Court, Mr Justice Barry said that the three appellants had been found guilty at the Central Criminal Court on all the charges against them. Jackson was the central figure and it has never been suggested that Morphew and Hemmings played more than a very subsidiary part. All the charges related to the purchase by the Hide Group, with Jackson as chairman, of the capital of three companies, Grocott Ltd, A. Barton & Co Ltd, and Stuart Norris Ltd. The case for the prosecution had been that the purchasing company had issued a larger number of shares than necessary and that Jackson had agreed to purchase these shares for cash, thereby secretly enriching himself.

In the opinion of the Court, the summing-up had been unexceptional. The Crown had not sought to uphold the convictions on the conspiracy charge and therefore they would be quashed. On two counts against Jackson the evidence was unsatisfactory and those counts would be quashed too. However, the decision of the Court of Criminal Appeal in no way affected the real substance of the case and there would be no alteration of the sentences.

Mias Prosecutions

ON Monday four men, alleged to be connected with the Mias group of companies, were at Bow Street committed for trial at the Central Criminal Court on a charge of conspiracy to defraud. They were Louis Granville Gordon, of Nevill Road, Rottingdean, Sussex; Francis Thomas Duffy, of Sefton Street, Southport; Arthur Rowley, of Norwood Road, Stockport, Cheshire; and Denzil Gordon Coleman, of Manor Gardens, Hampton-on-Thames, Middlesex. The company, Mias (Holdings) Ltd, was also committed for trial. The four pleaded not guilty, reserved their defence, and said they had a complete answer to the charge. Evidence had been given to support allegations that members of the public had been induced to invest money with the group at high rates of interest and had been unable to recover their capital.

Co-operative and Kindred Societies Report

PART 3 of the 1958 report[1] of the Registrar of Friendly Societies issued on Monday deals mainly with 'bona fide co-operative societies' from which the benefit derived by the member depends more upon the use he makes of the facilities provided by the societies than upon the amount of money he invests in them. The report indicates that although the increase in membership in 1958 was greater than in 1957, the 1958 rise in sales was lower than in either of the two previous years. The year's turnover of £974 million represented a weekly expenditure per member of £1 10*s* 7*d*. Apart from co-operative and kindred societies, the report covers a wide range of organizations, surely the oddest being a company which recovers, on behalf of its members, dirty milk bottles. During 1958, it collected, cleaned and restored to their owners some fifty million bottles for a small service charge. It also reclaimed and sold about £200,000 worth of aluminium foil from bottle caps and machine capping waste.

A number of defalcations in 1958 are reported and, in many instances, discovery was delayed because of the lack of an adequate and active system of internal control. The rules of most societies and clubs contain provisions for the enforcement of such precautionary measures, but in a number of the quoted cases these were scantily regarded. To emphasize the importance of keeping a watch on officials in charge of cash and stores, the Registrar reproduces, *in extenso*, a typical rule describing the functions of a finance committee which, if it operated intelligently and with the recommended regularity, would circumscribe frauds in point of time and consequently in amount.

Liquidator's Rejection of Claim

IN the voluntary liquidation of Trepca Mines Ltd, a proof was lodged by Mr Radomir Pasic for £2,616,486. Appealing to the High Court against the rejection of this claim Mr Pasic said that mining rights in Yugoslavia which were owned by his father when he died in 1926 should have vested in him as universal heir but documents purporting to have been signed by his father transferred them to the claimant's mother. These rights eventually passed to the company. The County Court of Belgrade had held that the father's signature on the documents was forged, and had ordered the company and an associate to pay Mr Pasic the sum claimed. The company and its associate took no part in the proceedings and the judgment itself had been set aside by the Supreme Court of Serbia.

Mr Justice Roxburgh dismissed Mr Pasic's appeal

[1] Report of the Chief Registrar of Friendly Societies for the year 1958. Part 3, Industrial and Provident Societies. H.M.S.O. 5*s* 6*d* net.

against the liquidator's rejection of his claim. He said the English Courts did not recognize as binding on them a judgment against a person who did not submit voluntarily to the jurisdiction. The proper course was to have the claim adjudicated upon in England. Any wrong which had been done was done in 1926 and therefore Mr Pasic's claim seemed to be barred by the Limitation Act. His lordship rejected Mr Pasic's application to give oral evidence that he was in enemy territory for some part of the time; observing that this evidence ought to have gone into affidavit which had been filed.

More Ships – Less Cargo

ONE of the features of the Port of London Authority report for the year ended March 31st, 1959, published last week, is a trend towards higher volume of shipping to carry a smaller tonnage of cargo at the Port of London. During the year under review the net tonnage of shipping entering and leaving the port amounted to 80 million tons, the highest figure recorded during the fifty years' experience of the P.L.A. On the other hand, the tonnage of goods, including trans-shipment, fell by almost 3·5 million tons. There was an increase in petroleum traffic but under all other main headings there was a decline, especially in coal. Some of the decline in the coal trade is accounted for by the increased use of oil and this is reflected in the port's figures of petroleum traffic which increased on the year by about 2·6 million tons.

The prosperity of a port depends, of course, not on the tonnage of cargo moved inwards and outwards but on the tonnage of shipping which is using the port. It is therefore not a tragedy if the Port of London Authority finds that the weight of cargo moved per unit weight of shipping declines. On the other hand it probably means that for the port to stay as busy and as prosperous as in the past, there will have to be an increased 'velocity circulation' of ships.

Minting Money

THE Deputy Master and Comptroller of the Mint, Mr J. H. James, deals in his annual report for 1958[1] with what he calls four topical problems – the future of the farthing, the size of the penny and halfpenny, the co-existence of the half-crown and the florin and the case for coins of a higher denomination than the half-crown. He thinks the farthing may now have finished its useful life and could be demonetized. This would pave the way for withdrawing the halfpenny (to be reduced in size as a preliminary step) and for the introduction of a smaller penny.

The possible demonetization of the farthing might, of course, raise a serious administrative problem. There are somewhere near 750 million farthings in existence (mostly in drawers and at the bottom of vases). They might be mobilized, at least in significant quantities, if they were about to lose their monetary value.

[1] *Royal Mint.* H.M.S.O. 5*s* net.

Replacing the halfpenny and penny would be a bigger task still. There are 950 million halfpennies and 1,500 million pennies in circulation.

As regards the florin and half-crown, the former is a relic of an attempt to move towards a decimal coinage in the middle of the last century. No important coinage system in the world has two coins so near in size and value. Abolishing either would not be a serious problem for the Mint.

A suggestion is put forward that there might be a new and smaller crown or five-shilling piece made of silver and the case is argued for a 10*s* coin.

The public's reaction to all such innovations would likely be a strange amalgam of cupidity, sentiment and convenience. There are, however, two serious points at issue. First, has the time come to admit that inflation has made our coinage out of date in terms of real value? Second, can the occasion be made one for simplifying and decimalizing the coinage? The florin is there still after a 110 years to point the way.

A useful table showing various possible systems of decimal coinages is given in the report and is reproduced below. It is also interesting to note that a full plate of illustrations is set out showing suggested coins for the introduction of decimal coinage during Queen Victoria's reign.

SYSTEMS OF DECIMAL COINAGES

Equivalent in existing system	Decimal Systems				
	£1 : mil	£1 : cent	10*s* : cent	5*s* : cent	8*s* 4*d* : cent
£1 ..	1	1	..	..	..
10*s* ..	500 mils	50 cents	1	..	..
8*s* 4*d* ..	..	..	..	..	1
5*s* ..	250 mils	25 cents	50 cents	1	..
4*s* 2*d* ..	..	..	..	..	50 cents
4*s* ..	*200 mils*	*20 cents*	..	..	..
2*s* 6*d* ..	..	..	*25 cents*	50 cents	..
2*s* 1*d* ..	..	..	..	..	*25 cents*
2*s* ..	100 mils	10 cents	20 cents	..	..
1*s* 8*d* ..	..	..	..	..	20 cents
1*s* ..	50 mils	5 cents	10 cents	20 cents	..
10*d* ..	..	..	..	..	10 cents
6*d* ..	25 mils	*2½ cents*	5 cents	10 cents	..
5*d* ..	..	..	..	..	5 cents
3*d* ..	..	..	*2½ cents*	..	..
2·4*d* ..	10 mils	1 cent	..	..	..
1·2*d* ..	5 mils	½ cent	1 cent	..	..
1*d* ..	..	..	..	..	1 cent
0·96*d* ..	*4 mils*	..	..	..	..
0·60*d* ..	..	¼ cent	½ cent	1 cent	..
½*d* ..	..	..	..	..	½ cent
0·48*d* ..	2 mils	..	..	..	..

Note. – The figures in ordinary print represent what seem to be the most probable denominations; those in italics, possible alternatives or additions.

Irish Republic Cheques Act

UNDER the Cheques Act, 1959, which came into operation in the Republic of Ireland last Wednesday, the law relating to the endorsement of cheques has now been brought into line with that of the United Kingdom and Northern Ireland.

The Accounting World

NEW ZEALAND

Decimal Coinage Recommendations

A SPECIAL committee appointed by the New Zealand Government in March 1957 to investigate the possible adoption of a decimal coinage system presented its recommendations to the House of Representatives earlier this month. The committee agreed in principle to decimal coinage and recommended that the change-over from pounds, shillings and pence should take place three and a half years following the acceptance of its report in order to allow a two-year preparatory period, followed by eighteen months for the completion of machine conversions.

A new upper unit limit of currency equivalent to 10*s* sterling was put forward. Notes would be issued for 100 of these units (equal to £50), 20 units (£10), 10 units (£5), 2 units (£1), and one unit (10*s*). Silver coins would be issued for 25 cents (2*s* 6*d*), 20 cents (2*s*), 10 cents (1*s*), 5 cents (6*d*), 2½ cents (3*d*) and bronze coins for 1 cent (1·2*d*) and half a cent (0·6*d*).

The New Zealand Society of Accountants was represented on the committee by the secretary of the Society, Mr A. W. Graham, B.COM., F.P.A.N.Z.

AUSTRALIA

Take-over Time

THE columns in *The Australian Financial Review* entitled 'An investor's notebook', during the four weeks July 16th to August 6th, tell an interesting story of Australia's recurring 'take-over' fever. Perhaps it is no more than a symptom of a familiar condition – 'growing pains' – but its eruption still causes some excitement among the present generation; and there are still lessons to be learnt. The following extracts are illustrative:

July 16th: 'Principal company news items this morning reflect the feeling of the moment – it's take-over time. Colonial Sugar's acquisition of the Bradford Insulation Group is big – more than a £½ million deal – but the move into the take-over field by this company was not unexpected.'

July 23rd: 'Even in a market conditioned to take-overs, the bid for Masonite by Colonial Sugar, announced this morning is a spectacular operation. It would be the biggest take-over in Australian company history, involving nearly £7 million.

July 30th: 'The latest development in the current take-over boom is beginning. It is the protective moves by companies which might attract a bidder. Yesterday, we had the remarkable one-for-one bonus issue of Australian Gypsum.

'The issue was "intended to reflect shareholders' equity in the financial growth and earning capacity of the group. . . ."

'Already we have the beginnings of a wave of bonus share issues – this could continue. *These days it is dangerous to be conservative.* [Our italics.] Directors have now learned this lesson and are doing something about it.'

August 6th: 'For those of us seeking spectacular capital gains there's nothing quite like a take-over. This week the shareholders of Brisbane retailer, Allan & Stark, had every reason to feel satisfied about the [Melbourne retailer] Myer deal.

'But this week might also have brought home with great emphasis, that it is better to speculate on a company's protective move against a take-over than to go for the long shot and try to predict an actual bid . . . Those now speculating in the market may be excused for paying apparently ridiculous prices – it seems a fair bet that the bonus issues will continue.'

Some questions of particular interest to accountants arise from these comments. For instance, is conservatism dangerous?

Commenting on an offer by Ansett Transport Industries Ltd to shareholders of Guinea Holdings Ltd (country airways operator and owner of a substantial investment portfolio), the stock exchange correspondent of *The Australian Financial Review* (July 16th) concludes:

'One moral can be drawn from the Guinea story. Excessive conservatism can lead to unrealistic prices in take-overs. Had the full story on Guinea finances been disclosed before the eleventh hour, when Ansett acceptance forms were in shareholders' hands, the market valuation of the scrip would almost certainly have been higher and a still better price conceivably might have been offered.'

Mr G. C. Tootell, F.C.A.(AUST.), discussing the need for recommendations on accounting principles by accounting bodies suggests a number of underlying causes, including:

'The greatly increased interest of the general public in company investments led to a demand by stock exchanges and Government authorities for adequate disclosure in accounts, a demand that could be met only by attempting to lay down the principles on which those accounts should be uniformly constructed in a fashion which a person possessing no particular accounting skill would understand. . . . The principle of disclosure requires intelligent consideration as to whether the statement fairly sets out the facts on which the reader desires to be informed.'

Another question is whether speculators, in particular, can justifiably criticize directors and their accounting advisors, who have been more concerned with the welfare of the company (as an entity with a character of its own), its employees, suppliers and customers, than with the fortunes of itinerant shareholders?

These questions (and others) have not been answered adequately yet. A course of action in one case may be satisfactory; a similar procedure in another case may be disastrous to some of the parties concerned. Criticisms do not always take into account all of the facts (as in early assessments of the 'Guinea story').

Often the take-over may be an acceptable and economical means of rapid growth and consolidation – particularly suitable for expansion from State to State in Australia. But it may be also a destroyer of individuality and competitive enterprise, and a fixer of false values.

UNITED STATES

Continuing Professional Development

MR LOUIS H. PENNEY, C.P.A., President of the American Institute of Certified Public Accountants, has contrasted the accounting profession in the United States most unfavourably with other professions – lawyers, doctors, engineers, etc., which offer a wide variety of choice to their members for instruction by correspondence, seminars and lectures, ranging from a day to several weeks in length. He tells of the Institute's ambitious new and enlarged programme of continuing education – authorized last year in an effort to deal with the situation. It was soon realized, he says, that the programme must go far beyond vocational training and embrace all aspects of a professional life, and the more descriptive title, professional development, was adopted.

A board of managers was elected last autumn and employed a staff director to head the new division of the Institute – the Division of Professional Development. An advisory committee has been appointed to assist the director in selecting suitable subject material for courses and determining how best to present courses effectively to the members. This committee has seventy-four members located in strategic areas all over the United States.

Mr Penney says it will not be easy to inspire individual members of the profession to take the courses. The State societies are being asked to join the Institute as co-sponsors of the courses, and it is hoped that each will have its own committee on professional development. Mr Penney calls for persistence and imagination in efforts to make members aware of the benefits to be obtained from the programme.

There will be courses for staff men lasting for one week or more, and also for sole practitioners, partners, supervisors and non-practising members. Courses on report writing, tax practice administration, and accountants' legal responsibility have been available for some years, and one on accountants' fees has been prepared. By the end of the year, courses on estate planning, budgeting for profit in a small business, and tax savings for clients are expected to be ready.

Accounting for Pension Costs

MR ANDREW BARR, C.P.A., chief accountant of the Securities and Exchange Commission, cites the financial report of United States Steel Corporation for 1958 as indicating current controversy as to what should be the generally accepted accounting principle in accounting for pensions. The Corporation charged $144 million to income for pension costs in 1958, as against $265 million for 1957. The certifying accountants stated that the charge, which was also paid to the trustee, while not equal to the current service costs accrued during the year, was more than sufficient, when added to the past and current service costs accrued and paid to the trustee in prior years, to equal all current service costs accrued since the adoption of the plan in 1950. They noted in their certificate a change in the amount of cash paid to the trustee, disclosed the effect on net income and that the payments for the current and prior years were not comparable, but gave their opinion that generally accepted accounting principles were consistently applied for the five years.

Mr Barr says that other accountants have said they would take exception to such action, since they did not consider that a generally accepted accounting principle had been followed when a charge to income was not made for the full current service costs accrued. A third group has indicated that, under Bulletin 47 of the American Institute, no explanation need be given in the certificate if footnote disclosure is sufficient for statement comparability. Mr Barr comments that further study is needed to determine what constitutes a generally accepted accounting principle with respect to this matter.

SOUTH AFRICA

Taxation of Insurance Business

UP to and including the 1958 tax year, taxable incomes of insurance companies were determined in accordance with the First Schedule of the Income Tax Act, 1941. The Income Tax Act, 1959, repealed this schedule and substituted a new Section 18 of the principal Act, which has completely revised the basis of determining this taxable income with effect from the year of assessment ended June 30th, 1959.

Under the old provisions, distinction was made between mutual and non-mutual insurance companies; the former were defined as

> 'any company carrying on the business of insurance in the Union which does not derive profit or gain (other than from investments) out of transactions with persons other than its members and in which only the holders of policies issued by such company can derive the benefit of any profit or gains derived by the company whether from investments or otherwise'.

Mutual insurance companies were exempt from tax in respect of all their insurance business, and were only taxable on investment income arising from insurance other than life and annuity business. All other insurance companies were considered 'non-mutual' and were taxable on their incomes in accordance with the terms of the First Schedule. No provision was made for the determination of an assessed loss incurred from life business and where a loss did occur it did not constitute a deduction or set-off against the profits made in other branches. No reserve was allowed for unearned or unexpired premiums and, where a loss resulted in any branch other than life or annuity business, it could be carried forward or deducted from the income in the subsequent year.

The new Section 18 divides insurance into long-term and short-term business, corresponding closely to the existing divisions of life and annuity and

all other types of insurance. The distinction between mutual and non-mutual companies disappears, with the result that mutual companies carrying on long-term insurance business cease to be exempt from tax and those carrying on short-term insurance business are assessable on their full taxable income and not merely on their income from investments. Insurance companies will in future be taxed on 30 per cent of the gross income derived from the investment of all funds arising from their long-term business. In respect of their short-term business, taxable income will be determined by charging against the sum of all the premiums received or accrued from such business in the Union, the aggregate of: (1) premiums on reinsurances; (2) liability for claims less all recoveries; (3) all other expenditure on short-term business; and (4) an allowance for unexpired risks to be determined by the Commissioner. The full allowance for unexpired risks will not become effective until the 1962 tax year, and for the 1959, 1960 and 1961 years the allowances will be 25, 50 and 75 per cent respectively of what the Commissioner would normally allow.

Insurance companies must render returns of any income derived otherwise than from insurance and are liable for tax on this in the ordinary way. They are entitled to set-off against the taxable income derived from the business of insurance any loss incurred in respect of any other business or any balance of loss so incurred to which they are entitled in terms of the Income Tax Act.

Finance and Commerce

Naafi

THE accounts of the Navy, Army and Air Force Institutes, otherwise Naafi, form the reprint this week. The reprint is taken from Naafi's 1958 report, the appearance of which was delayed through the seven weeks' printing stoppage in which Naafi's printing branch was involved.

The report is a 42-page quarto, glossy, coloured production which must have been expensive to produce but which makes good publicity material for the Services' department store. Naafi is selling itself hard: with the Forces' strength dropping from 690,000 to 375,000 in the six years to 1962, it needs to. Good publicity and a business-like approach to the problem, however, are paying off.

'The entire pattern of Naafi service is undergoing a metamorphosis and any new idea that shows promise is given its chance.' They even have Naafi travelling tailor touring units in Germany taking measurements for London-made suits and sports clothes. They have 'hundreds of slot machines selling everything from chocolate and cigarettes to hot and cold drinks' and instalment credit schemes. And the effort made to 'sell' Naafi, coupled no doubt with higher service pay and rising prices, has put the average weekly spending by servicemen in the United Kindgom up from 14*s* per head in 1950 to 24*s*.

Credit Sales

In its modernization of methods, Naafi seems particularly proud of its electronic computer which has recently been installed at its new German warehouse at Krefeld. 'Electronics in industry', by Mr R. T. Eddison, the plans and methods department manager, provides two pages in the report.

One of the highlights of the year in the European canteen service was the introduction of instalment credit sales. In ten months, 5,108 agreements were arranged for a total of £136,909 and the goods thus sold included all the equipment of a modern home: electric polishers, washing machines, vacuum cleaners, mixing machines, etc. – and six cameras at an average cost of £27 each. Some readers will remember soldiering for a shilling a day, less 6*d* allotment.

Naafi's profit is, of course, the property of the services, most of it going in the rebate and discount: rebate, 5 per cent on canteen trade with the Army and R.A.F. and 6 per cent with the Navy, payable monthly for the benefit of the ship or unit welfare fund: discount, currently 5 per cent, allowed on all cash purchases at retail prices made by service families and all others entitled to deal at Naafi shops.

Some of it goes in a regrettable manner: £57,175 losses and breakages of service articles in canteens and clubs in the United Kingdom, but the corresponding item in 'civvy street' can be heavy. A footnote giving a normal 'civvy' percentage of breakages to takings would help to put the £57,175 in a better perspective.

Canadian and English

CANADIAN and English Stores Ltd, whose unfortunate history has been recorded in this column, is now at the turning point. The Canadian interests have been sold for £925,000 cash and the share and loan capital has been reorganized. The unsecured loan stock (consideration money left in the company by the vendor of the shares) stood at £2 million at January 31st, 1958. During the year of the present accounts, £375,000 was cancelled. Under the scheme approved in June last, a further £812,500 was cancelled and a further £150,000 was converted into ordinary shares at par. Of the remaining £662,500, £20,000 was paid off in March 1959

NAVY, ARMY AND AIR FORCE INSTITUTES

Balance Sheet as at 1st November, 1958

(1957) £		£	£
7,000,457	**CAPITAL RESERVE**		7,000,457
	REVENUE RESERVES		
2,729,121	Contingencies Reserve (Note 1)	1,873,367	
516,065	Development Reserve (Note 2)	1,154,584	
76,026	Amenities Reserve (*less* expenditure during the year of £34,677)	41,349	
131,152	Staff Pension and Benefit Reserve (*less* expenditure during the year of £80,136)	51,016	
3,452,364			3,120,316
	AMOUNT SET ASIDE at 3rd November, 1956, for future Extra Rebate	391,640	
391,640			
150,000	*Less* amounts paid and payable	200,000	
241,640			191,640
	PROVISIONS		
821,738	Liability for disability and other pensions	793,536	
1,297,347	Other liabilities	1,268,834	
2,119,085			2,062,370
	LIABILITIES		
6,732,531	Creditors and accrued charges (including Extra Rebate payable for year to date)		6,160,532
£19,546,077			£18,535,315

	£	£	(1957) £
FIXED ASSETS			
Freehold and Leasehold Properties at cost ..		6,135,886	6,215,955
Less: Depreciation and amounts written off to 1st November, 1958	1,704,137		1,654,852
Expenditure on clubs and warehouses provided out of sums allocated therefor ..	2,566,492		2,495,381
		4,270,629	4,150,233
		1,865,257	2,065,722
Furnishing, Equipment, Vehicles, Sundry Plant etc., at cost, less amounts written off		95,557	111,626
		1,960,814	2,177,348
CURRENT ASSETS			
Stock in trade, at or under cost, as valued by the Management	8,041,079		7,217,579
Debtors and prepaid expenses	3,248,925		3,180,734
British Government Securities at cost less amounts written off	3,331,010		3,839,548
(Market Value £3,559,843)			(3,839,548)
British Government Treasury Bills	99,608		744,389
Local Authority Loans	861,080		503,541
Balances with Bankers and Command Paymasters, cash in hand and in transit (after deducting Bank overdraft of £347,922)	992,799		1,882,938
		16,574,501	17,368,729
		£18,535,315	£19,546,077

W. F. BEALE	Chairman	of the Board of Management
CHARLES E. M. HARDIE	Deputy Chairman	
C. H. W. TROUGHTON	Civilian Member	
H. LAING	Civilian Member	
R. G. FEILDEN	Civilian Member	
H. P. T. PRIDEAUX	Civilian Member	
G. H. ASHBY, CAPTAIN, R.N.	Naval Member	
A. M. MAN, COLONEL	Military Member	
P. S. DUNDAS, GROUP CAPTAIN	Air Force Member	

E. W. MacGOWAN, *Secretary*.
21st *April*, 1959.

NOTES

1. Contingencies Reserve

	£
Balance as at 2nd November, 1957	2,729,121
Less transfer to Development Reserve	855,754
	£1,873,367

2. Development Reserve

	£
Balance as at 2nd November, 1957	516,065
Less expenditure during the year	288,480
	227,585
Add: Transfer from Contingencies Reserve ..	855,754
Transfer from Profit and Loss Account ..	71,245
	£1,154,584

3. Commitments for Capital Expenditure at 1st November, 1958, amounted to approximately £25,000 (1957—£62,000).

Report of the Auditors to the Members of Navy, Army and Air Force Institutes

We have examined the annexed Balance Sheet and Profit and Loss Account and have obtained all the information and explanations which we considered necessary for our audit.

In our opinion proper books of account have been kept by the Corporation and the Balance Sheet and Profit and Loss Account, which are in agreement therewith, comply with the Companies Act, 1948, and respectively give a true and fair view of the state of the Corporation's affairs at 1st November, 1958, and of the surplus on trading and other income, and of the charges thereagainst, for the year ended on that date.

5, LONDON WALL BUILDINGS,
LONDON, E.C.2.
21st *April*, 1959.

DELOITTE, PLENDER, GRIFFITHS & CO.,
Chartered Accountants

NAVY, ARMY AND AIR FORCE INSTITUTE

Profit and Loss account

(1957)	for the year ended 1st November, 1958		
£			£
59,692,095	**TURNOVER**		56,719,206
2,456,917	Surplus on Trading, before charging Rebate and Discount (Notes 1 and 2)		1,902,066
226,873	Interest on Investments and Bank Deposits		244,892
157,038	Net Proceeds on Realisation of surplus vehicles, equipment, etc.		155,022
2,840,828	Gross Surplus before charging Rebate and Discount		2,301,980
2,863,951	Rebate and Discount		2,260,015
23,123			41,965
44,617	Sums provided in previous years to meet liabilities not now required (Note 3)		139,710
21,494			181,675
146,941	*Depreciation of Investments*		—
125,447			181,675
	Transfer to Development Reserve on:—		
250,000	*Army and Air Force Account* (Note 4)	—	
—	Navy Account	71,245	
250,000			71,245
375,447			110,430
393,878	*Transfer from Contingencies Reserve on Army and Air Force Account*	—	
18,431	*Less: Transfer to Contingencies Reserve on Navy Account*	—	
375,447			—
—			110,430
150,000	Transfer from Amount Set Aside for future Extra Rebate		50,000
150,000	Giving a balance of for Extra Rebate allocated in accordance with instructions of the respective Service Ministries, as follows:—		160,430
Nil	**NAVY**	Nil	
	ARMY AND AIR FORCE		
96,000	Army	102,675	
54,000	Air Force	57,755	
150,000			160,430
—			—

NOTES

(1957)		£
	1. The Surplus on Trading shown above has been arrived at after charging:—	
78,746	Ordinary depreciation of Freehold and Leasehold Properties	82,405
84,442	Special depreciation on buildings overseas	—
	Directors' Remuneration:—	
—	Fees as Directors	—
11,809	Managerial Remuneration	13,658
	2. Replacements of Furnishings, Equipment and Vehicles have been charged against Trading Revenue.	
—	3. Included under this heading are Surplus Provisions of	73,554
	4. Additional provision for Development Expenditure on Army and Air Force Account has been made from the Contingencies Reserve as shown on the Balance Sheet.	

The turnover for the year was as follows:—

1956/1957		1957/1958
£		£
6,649,268	Navy	6,641,372
53,042,827	Army and Air Force	50,077,834
£59,692,095		£56,719,206

Rebate and Discount distributed to the Forces were:—

1956/1957 Rebate	1956/1957 Discount	1956/1957 Total		1957/1958 Rebate	1957/1958 Discount	1957/1958 Total
£	£	£		£	£	£
248,662	63,881	312,543	Navy	235,621	49,658	285,279
1,151,175	1,400,233	2,551,408	Army and Air Force	860,694	1,114,042	1,974,736
£1,399,837	£1,464,114	£2,863,951		£1,096,315	£1,163,700	£2,260,015

and £125,000 in July when the scheme became effective. The remainder is payable as to £20,000 in March 1960, £100,000 in July 1960, £20,000 in March 1961, £37,500 in July 1961 and thereafter in March 1962 and annually at £20,000 per annum plus 5 per cent interest on the outstanding balance.

There is a loss on trading for the year of £24,341, against the previous £931,718, or £68,317 against £1,103,244 before taxation. This position, however, has been dealt with in the scheme of arrangement which has left the issued capital at £150,000 in 15 per cent 10*s* cumulative preference and £425,000 in 2*s* 6*d* ordinary in place of the £1 million in non-cumulative preference, preferred ordinary, ordinary and deferred ordinary that came into existence as the vendor cut off successive pieces of his basic equity for sale to the public.

Forward Look

'It now only remains', says Mr S. R. Hogg, F.C.A., the chairman, 'to take a forward look'. New businesses have been acquired in the department store and the fashion trade and 'avenues for the utilization of the company's cash resources are constantly under review'. An indication of the size of the cash resources can be seen in the balance sheet item of £1,360,000 in municipal loans.

There has been some criticism of the slow pace of the re-employment of the substantial funds available. Mr Hogg's attitude, however, is that this is precious money, salvaged from the wreck, to be invested in new earning assets only when the board are satisfied that the new acquisition represents a good bargain. Incidentally, there is now on the board Mr S. V. Swash, a past chairman of Woolworths.

An interesting addition to this report and accounts is a 'Shareholders' privilege shopping voucher' entitling the holders to a special 10 per cent discount on all cash purchases from the company's stores. It is a development that raises all sort of queries – what happens on a sale of shares? – and it would be interesting to know how the scheme is being administered.

CITY NOTES

THE post-election rise in equity prices has now given way to consolidation rather than fresh advance. Investment attention is being increasingly directed towards the gilt-edged market and fixed interest stocks in general. Industrial preferences showing yields of up to 6 per cent even on well-covered shares are proving attractive.

In the gilt-edged market, prices have improved sharply with redemption yield buying on home investment account allied to strong and growing overseas demand. The continued strength of sterling and the further moves towards convertibility have induced an impressive degree of foreign confidence in sterling and this is being reflected in gilt-edged.

The improvement in conditions has allowed the reopening of the market to corporation and county borrowers, and this week Middlesex County Council offered £10 milliion of 5¼ per cent stock at 97½, with a marked degree of success. This operation is confidently expected to be followed by other similar offers.

Meanwhile, in the equity markets the natural tendency to take profits is being held in check to some extent by the problems of reinvestment and by the continued receipt of encouraging company news. The motor industry, for example, reports peak profits and output and holders of leading shares are prepared to hold on in the opinion that events will more than justify the present pitch of share prices.

The immediate prospect for the equity market, however, would seem to be for a period of consolidation during which prices may ease back from their recent peaks. At the same time, it is difficult to foresee any major break in quotations unless intense new issue activity should provide severe competition for available investment funds.

RATES AND PRICES

Closing prices, Wednesday, October 28th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Aug. 21	£3 9*s* 8·39*d*%	Sept. 25	£3 9*s* 5·24*d*%
Aug. 28	£3 9*s* 9·03*d*%	Oct. 2	£3 9*s* 10·48*d*%
Sept. 4	£3 9*s* 9·52*d*%	Oct. 9	£3 8*s* 9*d*%
Sept. 11	£3 9*s* 8·47*d*%	Oct. 16	£3 8*s* 4·91*d*%
Sept. 18	£3 9*s* 8·13*d*%	Oct. 23	£3 8*s* 6·74*d*%

Money Rates

Day to day	2⅜–3⅜%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 17/32–3 19/32%
Fine Trade Bills		3 months	3 17/32–3 19/32%
3 months	4¼–5%	4 months	3 17/32–3 19/32%
4 months	4¼–5%	6 months	3 17/32–3⅝%
6 months	4½–5¼%		

Foreign Exchanges

New York	2·80 7/16–½	Frankfurt	11·70¼–⅜
Montreal	2·65 5/16–7/16	Milan	1740–½
Amsterdam	10·59¼–½	Oslo	20·01–¼
Brussels	140·31¼–¾	Paris	13·76⅝–⅞
Copenhagen	19·33⅝–⅞	Zürich	12·19 1/16–3/16

Gilt-edged

Consols 2½%	52 9/16	Funding 4% 60–90	92 9/16
Consols 4%	77 7/16	Savings 2½% 64–67	85 9/16
War Loan 3½%	68 1/16xd	Savings 3% 55–65	92 7/16
Conversion 3½%	68⅜	Savings 3% 60–70	84
Conversion 3½% 1969	90⅜	Savings 3% 65–75	78⅛
Exch'q'r 5½% 1966	105 1/16	Treasury 2½%	50⅝
Funding 3% 66–68	86¾	Treasury 3½% 77–80	81⅜
Funding 3% 59–69	85¼	Treasury 3½% 79–81	80¼
Funding 3½% 99–04	74⅞	Victory 4%	95⅝

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

International Chart of Accounts

SIR, – You have been good enough to publish a brief description of the International Chart of Accounts which I have written in order to draw attention to the progress which has been achieved on the Continent in the classification and coding of accounts.

There may be some among your readers who, like myself, believe that this work has very important implications for the accountancy profession, and who see in it a basis for far-reaching developments. May I request the hospitality of your columns to invite anyone interested in this subject to get in touch with me, with the aim of forming a committee for the study of the International Chart of Accounts.

Yours faithfully,

London, SW10. KENNETH S. MOST.

[We shall be glad to send on any readers' letters to Mr Most – Editor.]

Accountancy Fees as Deductions in Tax Computations

SIR, – The article 'Accountancy fees as deductions in tax computations', by Dr A. V. Tranter, in your issue of September 19th stated on page 210, column 2:

> 'Where there is a back-duty investigation and settlement, the expenses of preparing accounts and computations based on those accounts are allowed, but not the expenses of negotiating a settlement.'

Back-duty investigations often take place where accounts have already been prepared but owing to the wilful omission of facts by the taxpayer, such accounts have to be re-computed in the light of further information supplied during the investigation.

We have recently taken up with the Inland Revenue the question of fees charged by us for such additional accounts and have received the following reply:

> 'It is Revenue practice to disallow the expenses of negotiating a back duty settlement and the cost of preparing revised accounts or capital statements in lieu of such accounts. An allowance is given in respect of the preparation of accounts where accounts had not been prepared previously or in respect of capital statements where these are prepared in lieu of such accounts.
>
> 'As accounts have been prepared in this case no relief would appear to be due in respect of the expenses of preparing revised statements.'

We should welcome the views of readers on this ruling which would appear to be at variance with the statement contained in the article.

Yours faithfully,

PORGY.

[Dr A. V. Tranter writes: Your correspondent quotes from one paragraph of the article but does not mention the succeeding paragraph. The article must be read as a whole, and in the succeeding paragraph it is made clear that where accounts and computations have already been supplied to the Revenue and agreed, fees for revision of these agreed computations may not be allowed as admissible deductions.

The paragraph mentioned by your correspondent is intended to refer primarily to cases, which I believe constitute the majority of back duty cases, where the original assessments were based on a trader's returns, often in round figures, or 'home-made' accounts. There is apparently no dispute as to the admissibility of accountancy fees for the preparation of accounts in such cases.

At the other extreme is the case where audited accounts have been supplied to the Revenue and tax liabilities agreed, and later other accountants are engaged to investigate the case. The second accountants are engaged rather on detective duties than on audit work, and any fees charged for such work fall under my succeeding paragraph.

A line must be drawn between the two types of case. Where exactly it falls may be differently interpreted by different inspectors, and their views may not necessarily agree with those of Somerset House. It will depend ultimately on the facts of the particular case.

At the same time it should not be overlooked that cases of the second type often take several years to settle and may well include the primary audit of records for the later years. The accountancy fees for the latter work are clearly allowable for tax purposes, although these may be merged in a composite fee.]

Salaries in the Profession

SIR, – It cannot be disputed that the remuneration of those comprising a certain class of employee who remain in a professional office is grossly inadequate. The class to which reference is made includes the majority of those members of more than three years' post qualifying experience. With the increase in the number of years of experience the position becomes progressively more urgent and lamentable.

This state of affairs applies throughout the profession, being particularly marked in the provinces, even in the fairly large local firms. On the whole, salaries tend to be slightly higher in the latter type of office than in the smaller firm, perhaps by some 10–15 per cent, but as against this, the degree of skill often required and the responsibilities undertaken by many senior clerks far outweigh this small salary differential.

The position can be pin-pointed by numerous examples and comparisons. To illustrate but a few of the anomalies which exist attention is drawn to the following:

(1) Whilst newly-qualified employees can now

earn between £600–£750 per annum as compared with the £200–£250 before the war, i.e. three times the pre-war salary, the majority of senior clerks of say thirty-five years of age (most of whom have been qualified for more than ten years) are receiving little more than twice the salary that they would have received in 1939. And even in those days there were grounds for discontent.

(2) From an examination of the *Monthly Digest of Statistics* No. 164, Table 169, it is apparent that in manufacturing industries earnings in April 1959, were approximately 220 per cent of earnings in April 1947, mainly due to the increase in the cost of living. All employees in the accountancy profession since 1947 are advised to examine their percentage increase in the past twelve years. It is extremely doubtful, apart from a very small minority, whether they will find the increase to be more than 60 per cent. This does not take into consideration, in the normal case, the increase that should accrue owing to the greater experience and responsibility. Overall, the man of, say, twenty-five years of age in 1947, present age thirty-seven years, should now be earning up to 400 per cent of what he earned in 1947, to reward him for his greater skill and responsibility, and to compensate him for the increased cost of living.

(3) Unless the employee-accountant in a professional office has skill comparable to the senior accounting staff of, say, a medium-sized industrial firm, he is quite inadequate to cope with the multitudinous complexities which confront him in carrying out his duties and responsibilities. I am confident that the majority of the staff of most professional firms have that comparable skill, but there are very few indeed who earn more than one-half of the salary of their counterparts employed in industry. In the comparison made here the difference is very striking, because, to quote an extract from a well-known tax case, we are clearly comparing peas with peas and not peas with beans.

At this stage I should make it clear that I am certain that the remedy is not to reduce the profit earnings of principals in the profession. From personal knowledge, I know that the earnings of principals are not always adequate for their responsibilities and administrative difficulties.

The low salaries in the profession are a direct cause of the large staff turnover in many professional offices which increases the difficulties facing many principals. What often happens is that employees change their jobs because some small grievance assumes large proportions merely because they are frustrated. Although it is not always realized by the employee at the time, this frustration emanates from the inadequacy of his remuneration in return for his effort.

Incidentally, only a few years ago, I could have had the opportunity of taking over a one-half share in a practice employing a staff which varied in numbers from fourteen to sixteen, including two qualified accountants, and I was not interested in any proposition (although no payment was to be made for goodwill) simply because I was aware that the income of the practice was not sufficient return for the work and responsibilities involved.

As I feel that there is an urgent need to examine salaries within the profession, I am writing this letter to ascertain if there are any other persons in the profession, particularly employees, but not excluding principals, who feel that steps should be taken to improve the position prevailing at the present time.

Yours faithfully,

Sheffield, 7. BERTRAM SMITH, A.C.A.

Calendar Variances

SIR, – I have been following the correspondence on calandar variances in your columns with some interest. For manufacturing companies that arrange the annual holiday as a two weeks' shut-down period there is a very simple remedy. All they have to do is to adopt the decimal calendar for their internal management accounts. This means that there are ten accounting periods, each with five working weeks and the actual period during which the shut-down takes place will consist of a total of seven weeks, five of which are working weeks.

This system gives the following advantages:

1. Apart from the odd bank holiday, which usually only gives a very slight distortion, all periods are directly comparable not only for overheads, but for sales, production, etc.
2. There is no need to have lots of control accounts and suspense accounts.
3. When looking at any individual period's results (sales, profits, production etc.) it is only necessary to move the decimal place to convert the figures to an annual basis. I have found this of considerable help at board meetings when dealing with certain executives! Conversely, for the accounting and cost departments, it makes life easy when spreading annual charges.
4. Work is substantially reduced in the accounting and cost departments because there are only ten 'monthly' closes instead of twelve. Also, there is a considerable saving of executive time, because there are only ten board meetings per annum instead of twelve.

There is only one minor problem that arises and that is on monthly salaries. So far we have not persuaded our managers and executives to allow us to pay them ten times a year! We deal with this by taking the departmental salary charge that has actually been paid, convert this to an annual basis and take the appropriate proportion applicable to the periods that have so far elapsed, e.g. if during the first period one month's salaries have been paid, then it is simply a question of multiplying by twelve and dividing by ten.

Yours faithfully,

K. W. HARDING, F.C.W.A.

London, W3. *Comptroller,*

VANDERVELL PRODUCTS LIMITED.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

TAXATION AND RESEARCH COMMITTEE

The one hundred and fifth meeting of the Taxation and Research Committee of The Institute of Chartered Accountants in England and Wales was held on Thursday, October 22nd. There were present:

Mr A. H. Proud (in the chair); Messrs C. W. Aston, R. D. R. Bateman, M.B.E., C. V. Best, W. R. Carter, J. Cartner, J. B. L. Clark, C.B.E., L. H. Clark, H. O. H. Coulson, S. M. Duncan, W. F. Edwards, A. R. English, F. J. Eves, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., T.D., W. S. Hayes, J. S. F. Hill, G. N. Hunter, R. O. A. Keel, S. Kitchen, E. N. Macdonald, D.F.C., G. P. Morgan-Jones, L. Pells, J. D. Reekie, D. W. Robertson, B. D. Shaw, H. Eden Smith, A. E. Spicer, D. E. T. Tanfield, A. G. Thomas, D. T. Veale, J. W. Walkden, F. J. Weeks, T. S. Welch, and G. H. Yarnell, with the Secretary.

President's Address

The President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., attended the opening of the meeting. In reply to a speech of welcome by the chairman, the President said:

You must have commenced your last year, the seventeenth year of the existence of the Taxation and Research Committee, with high hopes. For you were then planning to celebrate the one hundredth meeting of your committee which took place in December last. If one makes a list of the work completed by the Taxation and Research Committee since last October, it will be found that amongst publications of the Council there is the memorandum on Business Efficiency, the statement by the Council on the Submission of Clients' Accounts to the Inland Revenue, the memorandum on the Finance Bill, 1959, and the statement to the British Association on proposals for a decimal system of currency. In addition, the Taxation and Research Committee put forward a number of suggestions on the statement which has now been issued by the Council on the subject of Certificates required by Trade Associations and Other Bodies. Other matters are still under consideration by you and some have reached an advanced stage.

To enable so much work to be completed, many members of the committee must have given up a very great deal of time to the study of difficult questions and all members of the Institute should have a sense of gratitude to those of you who devote so much time and trouble to the work of the committee.

When the Taxation and Research Committee was formed in 1942, the Council made a major departure from the policy followed for sixty-two years, by deciding in effect that the Council should extend its activities by issuing statements on technical matters for the guidance of members of the Institute. The great majority of the members of the Institute have seen nothing but good come from this decision and are grateful for the assistance which is given them by the issue of technical documents and recommendations on accounting principles. Most of these documents and recommendations result from the work of your committee and I would like to emphasize what other Presidents have said before me, namely, that this great advance in the development of the Institute could not have taken place without the great assistance of your committee.

In the past year you have had the great privilege of having Mr E. N. Macdonald as your chairman. He has, as you all know, given great service to the accountancy profession and to the Institute, particularly in the Liverpool area where he has occupied many offices in the Liverpool District Society, including that of its President in the year 1956. He holds the esteem and affection of you all and in spite of numerous difficulties, including an illness during the summer, I know you will agree that he has had a successful year.

It is clear that the increasing volume of work has made it necessary for your assistance to be strengthened by the appointment of an assistant secretary to your committee and as you know the Council has taken steps for that purpose. Unfortunately, the stoppage in the printing trade prevented the effective advertising of this appointment. I do hope, however, that by the end of this year we shall have succeeded in the by no means easy task of finding a suitable member for the appointment.

Under your new chairman, Mr A. H. Proud, I am sure you will be no less successful in continuing your work on the matters currently before you. Will you, Mr Chairman, and the members of your committee, please accept my thanks and best wishes.

Mr E. N. Macdonald, D.F.C., F.C.A.

A hearty vote of thanks was accorded to Mr E. N. Macdonald for his services as chairman of the committee during the year 1958–59.

Standing Sub-Committees

Reports from the following standing sub-committees were received:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad Hoc Sub-Committees

Progress reports were received from two special sub-committees.

Future Meetings

The next meeting of the committee will be held on Thursday, December 10th, 1959, and the following dates were provisionally fixed for meetings in 1960:

Thursday, February 18th, 1960.
" April 21st, 1960.
" June 16th, 1960.
" September 22nd, 1960.
" October 20th, 1960.
" December 15th, 1960.

LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER

Over 400 members and guests attended the annual dinner of The Leeds, Bradford and District Society of Chartered Accountants held at *The Queen's Hotel*, Leeds, on October 23rd. Mr H. L. Simpson, F.C.A., President of the Society, presided, and together with Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, received the company. Among these present were Alderman Mrs G. A. Stevenson, J.P., Lord Mayor of Leeds, Mr J. D. Eaton Smith, Alderman J. Louis Brook, J.P., Mayor of Huddersfield, and

Messrs F. R. A. Armstrong (*President, Leeds Incorporated Law Society*); G. E. Birkenshaw (*President, Woollen and Worsted Trades Federation*); C. W. Boyce, C.B.E., F.C.A. (*a Past President of the Institute*); R. F. Butler (*President, Leeds Chamber of Commerce*); R. W. Firth (*President, Bradford Incorporated Law Society*); H. Thwaite (*President, Leeds Centre, Institute of Bankers*); D. W. M. Scott (*President, Bradford Chamber of Commerce*); Rupert Walton, T.D., F.C.A. (*Vice-President, Leeds, Bradford and District Society*); together with the presidents of other district societies of the Institute.

Ever-changing Business World

Mr J. D. Eaton Smith, a Huddersfield solicitor, proposed the toast of 'The Institute of Chartered Accountants in England and Wales'. In an amusing speech, Mr Eaton Smith said that when he first went to law, income tax was 9*d* in the £. Then came the Boer War, followed by all the multitudinous income tax Acts, with their cross references and references back, and the ever-changing and alternating business world which had taken place since. Accountants had reached a very high standard, he said, and any document bearing the hall-mark 'chartered accountant' proclaimed both its accuracy and its veracity.

In half a century he had watched accountants obtain their present proud position. Accountants had become an integral part of commerce – national and international – and it was said that the profession was interwoven in the commercial structure in the same way that steel wire reinforced concrete. Continuing, he said:

'The nation looks to you and relies on you as the complete financial comptrollers, to direct and inspire the very economic success of this country.

Formation of Policy

'The foundation of business success lies in the formation of the right policies, and who better to advise and guide than an accountant? They have access to the inside workings of business. They discover which policy should be pursued and which should be relegated: they must direct and counsel the business essentials and co-ordinate all the firms' activities to a common purpose. You will become more and more the trusted organizers of our trading concerns and our commercial enterprise.

'We look to the future with every hope that you will be able to meet all the new phases of trading which come your way. On your past records alone we have every confidence in your accomplishing the tasks which may confront you. It seems to some, that the time is here when to have at the head of a concern a "man of affairs" without further qualification is not enough.

'There is a large body of opinion in this country which calls for Government intervention where labour and capital is not beneficially employed. Indeed the day may be approaching when those at the head, particularly in our large exporting concerns, must be highly skilled in the principles of accountancy, preferably members of your profession. We can no longer afford rule-of-thumb methods and haphazard guess or conjecture.'

Work of the Accountant

Responding to the toast, Mr Peat said that he had been giving some personal thought to the work of the accountant for his clients and said that it seemed to him that an accountant's services were required from the cradle to the grave, not, of course, to the exclusion of the legal or medical professions, but in collaboration with them. He continued:

'Throughout life, the accountant must be at your elbow to advise about earned and unearned income, allowances, covenants, etc., and when the time comes to make your will, which will, of course, be drawn up by a lawyer, the accountant is essential to advise about estate duty and, if possible, the date of death should be arranged to fit in with the taxation position! That is to say, as soon after April 5th as you have earned enough to cover your personal allowances and reduced rate relief for the whole year!'

Referring to the accountant in an industrial concern, great or small, Mr Peat described him as the 'industrial doctor' whose job it was to keep industry operating in the most efficient manner, 'so that we can export our goods in competition with other countries and increase our own standard of living'. 'These', he said, 'are the days of work study and management accounting, of keen competition which is the best protection for the consumer.'

P.A.Y.E. for Surtax Payers

Proposing the toast 'Our Guests', Mr Simpson, referring to the presence of the Lord Mayor of Leeds, Alderman Mrs Gertrude Stevenson, J.P., and the Mayor of Huddersfield, Alderman J. Louis Brook, J.P., said they were grateful to both those municipal dignitaries for finding the time to attend the dinner.

Mr Simpson went on to refer to the 'great and far-reaching advantages of the P.A.Y.E. system' under which the taxpayer knew what financial resources he had available. He looked forward to the day when there was some extension of the P.A.Y.E. system to cover those paying surtax.

Responses to the toast were made by the Lord Mayor of Leeds and the Mayor of Huddersfield.

Notes and Notices

PERSONAL

MESSRS FISHER, SASSOON & Co, Chartered Accountants, of 71 Baker Street, London, W1, and Farley House, Petts Wood, Kent, announce that as from October 5th, 1959, Mr MICHAEL DAVID WEISBERG, A.C.A., and Mr MILTON MAURICE MARKS, A.C.A., have been taken into partnership. The style of the firm remains unchanged.

MESSRS PANNELL, CREWDSON & HARDY, Chartered Accountants, announce that they have opened an office at 27 Garrison Street, Freetown, Sierra Leone, with Mr TERENCE A. G. DENDY, A.C.A., as resident manager.

MESSRS D. W. H. PHIPP & SON, Chartered Accountants, of 4 East Circus Street, Nottingham, announce that as from November 1st, 1959, their new address will be 147 Derby Road, Nottingham. Telephone: Nottingham 46920.

MESSRS J. FOOKS & SONS, Chartered Accountants, of 3 Park Place, Cardiff, announce that they have admitted Mr JOHN ANTHONY FOOKS, M.A., A.C.A., into partnership. Mr FOOKS, who is the the son of Mr WILLIAM J. FOOKS, served his articles with the firm.

PROFESSIONAL NOTES

Mr F. M. L. Fitzwilliams, B.A., F.C.A., has been appointed a director of Scottish Dyers & Cleaners (London) Ltd.

Mr J. A. B. Keeling, D.F.C., M.A., A.C.A., has been appointed a director of West Riding Worsted & Woollen Mills Ltd.

Mr C. Gordon Lambert, B.A., B.COMM., A.C.A., chief accountant of W. & R. Jacob & Co Ltd, has been appointed to the board.

Mr W. J. McCormack, A.C.A., has been appointed commercial manager of Caltex (Ireland) Ltd.

Mr A. Taylor, A.C.A., chief accountant, subsidiary companies of English Steel Corporation Ltd, has been appointed a special director of the parent company.

Mr R. K. Hamilton, C.A., has been appointed joint manager for Scotland of the Industrial & Commercial Finance Corporation Ltd.

ACCOUNTANT AWARDED RESEARCH FELLOWSHIP

Mr Charles Montacute, F.I.M.T.A., joint finance officer to the Gloucester, Stroud and the Forest; Cheltenham Group; and Standish Hospital Management Committees, has been awarded a Simon Senior Research Fellowship at the University of Manchester for the academic year 1959–60. He has been given leave of absence for the year and will make a survey of costing as an aid to hospital administration and efficiency.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Statement *re* Mr Albert Henshall

The Council of The Association of Certified and Corporate Accountants has issued the following statement:

In December 1958, the Disciplinary Committee constituted under the Solicitors Act, 1957, heard certain complaints against a solicitor, and on December 18th, 1958, pronounced its findings and order in the matter. These included the following reference to Mr A. A. Henshall, Certified Accountant, of Stoke-on-Trent, which was reproduced in the Press at that time:

> 'The Disciplinary Committee draw attention to the fact that for reasons which are not apparent to them, the solicitor's accountant, Mr A. A. Henshall, gave the solicitor virtually unqualified accountant's certificates relating to the solicitor's practice at Stone in respect of the accounting periods August 17th, 1954, to August 16th, 1955, and August 17th, 1955, to August 16th, 1956, although, according to the solicitor, the books of account relating to the practice had fallen into disuse since 1954.'

The Council of the Association of Certified and Corporate Accountants has carried out a full investigation of the circumstances in which accountant's certificates were issued to the respondent solicitor by Mr Henshall. The Council of the Association finds that although the extract quoted above was entirely in accordance with the evidence then before the Disciplinary Committee, that evidence was misleading in that the respondent solicitor failed to inform either the Disciplinary Committee or The Law Society that for the whole of the period in question the accounts relating to his practice at Stone had been written-up by Mr Henshall. Mr Henshall ceased to act for the solicitor following the completion of the accounts for the period ended August 16th, 1956, up to which date there was no deficiency.

Since the investigation carried out by the Council of the Association exonerates Mr Henshall from any suspicion of having issued accountant's certificates in respect of accounts which did not exist, and since the Council is advised that the Disciplinary Committee cannot now, as a matter of law, review or vary its findings in any way, the Council feels that in justice to Mr Henshall this statement, which is issued with the concurrence of The Law Society, should receive the same publicity as the extract from the findings and order of the Disciplinary Committee quoted above.

Members' Luncheon

The first of the 1959–60 winter luncheon meetings of the Association was held at the Connaught Rooms, London, WC2, last Monday. The chairman, Mr William Jackson, F.A.C.C.A., President of the Association, introduced the guest speaker, Colonel Kenneth Cantlie, M.I.MECH.E., M.I.LOCO.E., to the 150 members and guests present. Colonel Cantlie, who has an extensive knowledge of China, gave an interesting talk on the history of the country leading up to the position at the present day.

CERTIFIED ACCOUNTANTS' LODGE

The second Installation Meeting of the Certified Accountants' Lodge was held on Monday, October 19th, at Colonial House, Mincing Lane, London EC3, when W. Bro. C. V. Jarvis, P.P.G.D. (E. Lancs.) was installed as Master for the ensuing year, and the following officers were invested:

W. Bro. J. C. Latham, P.G.ST.B., *I.P.M.*; W. Bro. G. L. Barker, *S.W.*; W. Bro. J. A. Gopsill, P.P.G.D. (Warwickshire), *J.W.*; W. Bro. A. Garner-Stevens, L.G.R., *Chaplain*; W. Bro. Sydney C. Jones, P.P.G.D. (Middx), *Treasurer*; W. Bro. C. R. M. Davidson, *Secretary*; W. Bro. A. C. S. Meynell, *D.C.*; W. Bro. H. Wells, *S.D.*; W. Bro. J. H. Hulls, *J.D.*; W. Bro. E. Spencer, *A.D.C.*; W. Bro. E. Greenhill, P.P.G.W. (Worcs.) *Almoner*; Bro. R. G. L. Jobson, *I.G.*; W. Bro. J. P. Shaw, P.P.G.ST.B. (Herts.) *Steward*; Bro. D. W. Page, *Steward*; Bro. H. A. P. Miller, *Steward*; Bro. R. A. Bishop, *Steward*; Bro. K. H. Bickmore, *Steward*, W. Bro. A. J. Courtney, L.R.G., *Tyler*.

The Lodge meets at Colonial House on the first Mondays in March and December and the second Mondays in January and October, and inquiries may be addressed to the Secretary at 22 Bedford Square, London, WC1.

ACCOUNTANTS AT THE TOP AGAIN

Sartorial Distinction

Hard upon last week's announcement that members of the accountancy profession (bracketed with architects) are reputed to have the highest standard of handwriting among the professions, comes the news that accountants are placed second in a list of the best-dressed sections of the community. The list has been compiled by the Wholesale Clothing Manufacturers' Federation, whose 400 members between them clothe 80 per cent of the male population.

Politicians head the list, with bankers and doctors coming, respectively, third and fourth. Architects are this time down to eighth place. Because of a special tax allowance actors can claim for their clothes, which might put them in an unfair advantageous position, they were omitted from last year's classification. This year they are included as they are thought not to have made use of this facility to any great extent, and are placed fifth.

ROYAL SOCIETY OF ARTS

Cantor Lectures on Education

A series of three Cantor lectures on 'Modern technological and commercial education' will be delivered at the Royal Society of Arts during November. The lectures, which will commence at 6 p.m., are as follows:

November 9th: 'Education for industry and commerce', by A. A. Part, C.B., M.B.E., Under-Secretary, Ministry of Education.

November 16th: 'Technological education', by P. F. R. Venables, PH.D., B.SC., F.R.I.C., principal, College of Advanced Technology, Birmingham.

November 23rd: 'Commercial and higher professional education', by A. J. McIntosh, B.COM., PH.D., director, City of London College.

Britain's Economic Position

On November 10th, a paper entitled 'The present economic position of Great Britain', will be presented by Mr C. F. Carter, M.A., Stanley Jevons Professor of Political Economy, Manchester University. Mr Oswald P. Milne, F.R.I.B.A., J.P., chairman of the Council of the Royal Society of Arts, will preside at the meeting, which will commence at 2.30 p.m.

Application for tickets of admission for all these meetings should be addressed to the Secretary, Royal Society of Arts, John Adam Street, London, WC2.

REVENUE PAPER

Michaelmas Sittings, 1959

HIGH COURT

The following cases are down for hearing in the High Court.

Grosvenor Places Estates Ltd *v.* J. H. Roberts (Inspector of Taxes).
E. C. Dain (Inspector of Taxes) *v.* Auto Speedways Ltd.
W. A. Roberts *v.* J. McGregor (Inspector of Taxes).
The Building and Civil Engineering Holidays Scheme Management Ltd *v.* M. N. Clark (Inspector of Taxes).
H. Ansbacher & Co *v.* C.I.R.
Imperial Chemical Industries Ltd *v.* J. E. Caro (Inspector of Taxes).
A. D. Wilkins (Inspector of Taxes) *v.* S. A. Rogerson.
The Taw & Torridge Festival Society Ltd *v.* C.I.R.
West Surrey Motors Ltd *v.* R. V. Symons (Inspector of Taxes).
C.I.R. *v.* William Bernstein.
Lai Foun Long *v.* A. F. Belcher (Inspector of Taxes).
Alistair J. McLaren (Inspector of Taxes) *v.* A. E. Needham.
F. A. Bidwell *v.* F. D. Gardiner (Inspector of Taxes).
K. N. Cooke, *v.* E. D. Haddock (Inspector of Taxes).
Barclays Bank Ltd *v.* W. E. W. Taylor (Inspector of Taxes).
Blackdown Estates Ltd *v.* G. H. Whiting (Inspector of Taxes).
M. E. Zack *v.* N. Hannah (Inspector of Taxes).
F. G. Pratt (Inspector of Taxes) *v.* D. G. Lamb.

SW. LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, next Monday, at 6.45 p.m., when Mr J. Leslie Blower, A.C.A., will open the discussion on 'Valuations for estate duty'. The secretary, Mr F. Jones, 695 Salisbury House, London Wall, EC2, will be pleased to answer inquiries from prospective new members.

B.I.M'S FIRST PRESIDENT

Lord Baillieu, president of the Dunlop Rubber Co Ltd, was elected as the first president of the British Institute of Management at the Institute's annual general meeting, held in London, on Wednesday of last week.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday, November 2nd, in the vestry of St Mary Woolnoth church, King William Street, EC3. The scripture for reading and thought will be John, chapter 8, verses 28 to 32 (true discipleship in keeping His word).

SOUTHEND-ON-SEA CHARTERED ACCOUNTANTS' GROUP

The twelfth annual general meeting of the Southend-on-Sea Chartered Accountants' Group was held at *The Imperial Hotel*, Westcliff-on-Sea, on Tuesday, October 13th. The chair was taken by Mr A. J. Wilson, F.C.A.

A report upon the activities of the Group for the past year was given by Mr A. A. Stewart, A.C.A., the honorary secretary, followed by a financial report by the Group's treasurer, Mr K. W. Kyle, F.C.A.

The following officers were elected for the ensuing year:

Chairman: Mr H. E. Hassell, F.C.A.
Vice-chairman: Mr J. Kennedy Melling, A.C.A., F.R.ECON.S.
Hon. Secretary: Mr A. A. Stewart, A.C.A.
Hon. Treasurer: Mr K. W. Kyle, F.C.A.
Hon. Press Officer: Mr. W. A. Wren, A.C.A.
Committee: Messrs L. W. Free, F.C.A. and E. Walley, A.C.A.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Examination Results

Of the successful candidates in the May examinations, 190 out of 512 in the Final and 342 out of 762 in the Intermediate were members of the Society.

The prizes awarded by the Society are as follows:

Final

Lord Plender Prizes: W. K. Ng, P. M. Burnham, R. A. Duparc, D. Hartley.

Sir Harold Howitt Prize: P. M. Burnham.

Intermediate

Lord Plender Prizes: A. W. Davies, R. A. May, P. N. Smith, D. E. Philpot.

Edith Sendell Prizes: J. P. Dornton, A. J. D. Ferguson, A. C. Langridge, D. L. Tucker, P. S. Clutterbuck.

Social

Tickets are now available for the annual dinner at Grosvenor House on December 14th, and the Christmas dance at the Royal Festival Hall on December 18th. Members are reminded that applications for tickets for the dinner must be received not later than November 2nd, and those wishing to attend the dance are advised to book early to avoid disappointment.

Meetings

The mock company meeting will be held in the Chartered Insurance Hall on Monday, November 9th, at 5.30 p.m. It is to take the form of the annual general meeting of a company which manufactures motor-cars for British and American markets. Details have been circulated to all members.

The senior residential course held at Balliol College, Oxford, was attended by 204 students. The speakers were fully appreciated and their lectures aroused lively discussion.

About 800 members attended the President's Meeting in Guildhall to hear Lord Montgomery's address.

Sports

The cricket match against the Solicitors' Articled Clerks was drawn.

Play Reading Group

The group met at Westfield College on Wednesday, October 21st, and read 'Hotel Paradiso'. New members are always welcome and anyone interested should contact Miss Hattley, through the Library.

Students' Supper

Another in the series of suppers, which have been very successful, will be held at St Paul's Tavern Chiswell Street, EC2, on Thursday, November 26th, at 6.30 p.m. Tickets may be obtained from Mr Carter at a cost of 9*s*.

Next Week's Meetings

The following meetings of The Chartered Accountant Students' Society will be held next week:

Monday, 5.30 p.m., at the Institute: Lecture on 'Costing for management', by Captain Maurice Aries, C.A. (Flight operations accountant, B.O.A.C.). Chairman, Mr J. H. Mann, M.B.E., M.A., F.C.A. (member of the Council of the Institute).

Tuesday, Visit to the Royal Mint (limited number).
5.45 p.m., at the Midland Bank, Poultry, EC2: Joint debate with the Midland Bank Debating Society on the motion 'That this house would support Guy Fawkes today'.

Wednesday, 6 p.m., Lecture and demonstration of National Accounting Machines (limited number).
7 p.m., at Reading: Lecture on 'Income tax – relief for losses', by Mr H. A. R. J. Wilson, F.C.A.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'The conduct of a typical case in the Courts', by Mr J. R. Phillips (Barrister-at-Law).

Friday, 5.15 p.m., at the Institute: Introductory course lectures on (1) 'Management accounting and costing', by Mr F. R. Porter, F.C.A., A.C.W.A., and (2) 'Partnership law', by Mr Patrick W. Medd (Barrister-at-Law).
7 p.m., at Chelmsford: Lecture on 'The English legal system', by Mr O. Griffiths, M.A., LL.B. (Barrister-at-Law).

Students are reminded that the Library and Study Room at Spencer House, South Place, EC2, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study Room is available in the evening by prior arrangement.

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CONTENTS

Take-over Code

FEW would wish to cavil with the clear and concise expression of views voiced in the City's study of take-over bids. Published last Saturday under the heading of *Notes on Amalgamations of British Business*,[1] this valuable report represents the deliberations of a committee set up in July at the suggestion of the Governor of the Bank of England.

The study, which deftly contrives to avoid the use of the words 'take-over' and 'bid' throughout its six pages of text, is at pains to point out that amalgamations and acquisitions have been a fairly common feature of the commercial scene from its earliest beginnings and that most large British companies have grown to their present size as a result of them. The study takes a decidedly liberal view of all this and is clearly set against any interference with free market forces in declaring that:

> 'The process is a natural one and, since it is generally based on the best utilization of physical capacity, managerial experience and available labour, it has almost always proved to be in the national interest.'

That is equally true of the old-fashioned amalgamation as it is of the modern take-over bid (despite the popular – though erroneous – view that bids fall neatly into two categories, the 'genuine' and the 'speculative'). Both in their own particular way aim at making the best use of scarce economic resources. The committee, however, does not draw a sharp enough distinction between amalgamations and take-over bids. The former, which have thrived since the war every bit as much as they did in the pre-war period, usually come about as the result of lengthy negotiations between two or more companies where (*a*) in an expanding industry they are searching for the economies of scale, or (*b*) in a contracting industry they are more intent upon rationalizing production. In the case of a take-over bid, however, the directors are seldom given any inkling that a bid is in the offing, and may find themselves embroiled in a battle for control which is being waged over their heads. Even so, the study alludes to the different causes, pointing to the combination of abnormal circumstances which arose in the post-war period – matters which were enlarged upon in a lecture given a short while ago by MR DOUGLAS A. CLARKE, LL.B., F.C.A., and now is reproduced elsewhere in this issue.

On principles, the committee unhesitatingly upholds the supremacy of free market forces and the shareholder's right to be

[1] Obtainable from the secretary, Issuing Houses Association, 19 Fenchurch Street, London, EC3, price 6*d* per copy.

the final arbiter in deciding upon the merits of a particular bid or in choosing between competing bids. As to procedure, the committee recognizes that the board of directors is the most convenient channel of communication with the shareholders in spite of the fact that the offeror is really seeking to strike a bargain with the shareholders. An offer naming the principal should therefore usually be made to the directors of the company in question. At the moment, the identity of the principal is far too often concealed behind the façade of a licensed dealer in securities acting as his agent under the Prevention of Fraud (Investments) Act, 1958.

The question of full and frank information looms high on the committee's list, no matter whether the offer is for cash or by way of an exchange of shares. In either case, the shareholders are entitled to be given all the requisite information upon which they can decide for themselves whether or not to accept. It would certainly be an advance if boards of directors not merely recommended acceptance of a bid but also brought shareholders up to date about the real values of the assets they are being recommended to sell (including a property revaluation where necessary).

As for bids made wholly or partly in cash, normal business prudence dictates that the offeror should be required to give some tangible proof that he can command the resources necessary to back the offer coupled with a statement outlining his aims for the future conduct of the company and their likely effect upon employees.

An offer by way of an exchange of shares (or an offer partly in shares and partly in cash) raises different issues. Here the shareholders have a continuing though indirect interest in their old company once it has been absorbed into a larger group. As the committee remarks:

> 'A cash offer is a matter of absolute, and a share offer of relative, values in assessing the merits of the offer'.

That being so, it would certainly be an advance if the bidder were compelled to provide reasonably up-to-date information about his own operations, finances, and past record, instead of leaving it to the financial Press to sort out. It is more important than ever when the bid happens to be made by a private company as has happened recently on one or two occasions.

The committee, however, only goes as far as to suggest that shareholders receiving the offer should be given the fullest possible information on the *future* commercial prospects of the combined companies, which rather indicates little more than an earnings and dividend forecast. In the circumstances, perhaps, the best safeguard against unsatisfactory terms is that the shareholders should be given adequate time (say, three weeks) in which to consider them and obtain independent advice (and allow other interested parties time to put in a counter-bid). Once the offer is declared unconditional, a further period of grace is recommended for acceptances from late-comers.

Where, after mature consideration, the board feels unable to recommend an offer to its shareholders, the offeror is still free to go over the board's head and communicate direct with the shareholders and it is suggested that the board might facilitate this direct approach (at the expense of the offeror) whilst taking the opportunity of explaining to its shareholders why the offer has not found favour in their eyes.

The committee, very wisely, comes down heavily against the partial offer, taking the general view that an offer should be made to the whole corpus of shareholders or class of shareholders. The worst feature of partial bids is that they can leave shareholders stranded in a minority position, with control of the company secured by the bidders, and with no course of action open to them in order to avoid this awkward situation except selling in the market. Non-voting shares are treated with equal disdain since they are considered to be 'not generally desirable'. This attitude will find wide support since many bids have been made in the form of non-voting shares thus effectively disfranchising a body of shareholders at one stroke without giving them the option of participating in the affairs of their adopted company.

Admirable as these notes are in range and content, the fact remains that they do not yet possess the power of sanction nor are more than a few of the financial institutions which have drawn them up likely to be directly implicated in take-over bids.

Mechanization Begins at Home

PREPARING ACCOUNTS FROM INCOMPLETE RECORDS

by A PRACTISING CHARTERED ACCOUNTANT

IN these days when more and more mechanization is taking place in clients' offices and accounting systems, it must have occurred to more than a few practitioners that there is very little equipment available to assist the practising accountant in his difficult and often tedious task of preparing accounts from incomplete records.

Consider the difficulties he faces: staff, particularly the type of man able (and willing) painstakingly to follow a job through logically and properly, who are always difficult to find and train, are now even more scarce. Clients are ever resistant to fee increases, and every accountant knows how difficult it is to keep fees in line with rising costs. Even more important is keeping on top of the job, because today it is more than ever vital to get on with the preparation of the accounts at the earliest date, in order to avoid income tax appeals and for the trading results to be of maximum benefit to clients. All these factors seem to point to a high potential need for some mechanical aid in speeding up analysis and so reducing costs.

Many firms already use calculating and add-listing machines but these perform only a fraction of the work required, and are generally brought into use at rather a late stage – as a rule, after the extracts have been taken from the various books. This matter has for long had the writer's consideration and it would appear that if mechanical aid were available an obvious use would be in analysis work.

It can be fairly estimated that the work involved on a small trader's cash-book, preparatory to the cash and bank account being prepared, utilizes at least 50 per cent of the total time taken in preparing the final accounts. Analysis work can often be very soul-destroying and tedious when summarizing under the routine headings, and the machines hitherto available have been of too large a capacity (twenty-seven columns at least) and too expensive to justify their employment by accountants.

It occurred to the writer while holidaying on the Continent that an adaptation of a restaurant accounting machine, widely used abroad, would seem to fit the bill admirably. Manufacturers were approached, the accountants problem's explained, and it was not long before a solution was produced.

The suggested adaptation of the machine was built, tested and delivered to the writer's office where the economies effected have been so remarkable that he feels it should be described for the benefit of his colleagues.

The Machine Described

The equipment is small and compact by accounting machine standards – in appearance resembling a cash register – though its weight is considerable. It may perhaps be regarded as eight add-listing machines built into one. It stands with the keyboard inclined. On the left-hand side of the keyboard are eight selector keys which are used for the various analyses. The keyboard has a registering capacity of £10,000 less 1*d*, and an accumulating capacity per selector key of the same amount. At the top of the machine is a visual dial which shows the amount entered and the particular selector key, or totalizer, used. The machine is fitted with sub-total and total keys which, when operated, show the aggregate amount allocated to each totalizer. A feature is the issue of a small ticket when the eighth totalizer is selected. This ticket, on which details of the figures entered are recorded, and further information may easily be added by hand, may then be dropped into a small suitably designated rack enabling further analysis of perhaps 'Sundries' to be taken. Another important feature is the incorporation of an add-list key which provides a running proof not obtainable by ordinary manual analysis.

Procedure

Imagine a typical small trader's cash-book from which final accounts are to be produced. On the debit side will be the sales; it may be that these will require simple analysis between tobacco and grocery sales in order to ascertain that the gross profit earned under each head is about correct. On the credit side are listed the expenditure items usually in the same order as they have been made, so inevitably we find purchases followed by drawings, interspersed with wages, hire-purchase instalments and other familiar items.

This, then, is the raw material to be processed and if the job were to be hand-written the working analysis sheet must be headed with the correct heads. Similarly the analysis machine must be 'headed'. The appropriate heads are entered on to a slip which fits into a holder on the side of the machine opposite each of the totalizer keys. It may be seen that there is no limit to the variety of analysis work which is capable of being undertaken. The items on the credit side are examined in sequence of entry and, as in hand-written analysis, allocated to the correct column by pressing the appropriately marked register key; the amount is entered on the keyboard and operation of the motor bar will cause the visual indicator to disclose the register number allocated and the amount recorded. Should any written description be required, there is a special arrangement of the audit roll to facilitate writing by hand of any detail which may subsequently be essential.

As each page of the cash-book is completed, the motor bar may be pressed and the total shown on the indicator checked with the addition total in the cash-book. Page by page extraction may thus be proved correct. When the analysis is finished the total keys are operated which will print the total amount analysed and the total allocated to each register individually.

The printed information which may be obtained to form part of the working papers is as follows:

(1) *Audit strip*. This is a copy of the amounts entered in sequence, each item being marked at the side with the number of the analysis head to which it has been allocated. In addition, if any written information is required it will have been written thereon.

(2) *Totals summary*. This will show the totals of each head and the aggregate thereof will agree with the total of the audit strip.

(3) *Analysis key*. This shows the actual analysis heading allocated to each key number.

It can be seen that all the basic audit information from analysis is available mechanically. The chances of error are reduced to a minimum, and from experience it can be fairly said that this routine work can be accomplished in half the time taken by hand-written methods.

A little thought will quickly bring to mind further applications in the office: e.g. analysing columns in purchase day-books, summarizing investment schedules, extraction of statistics.

Simplification of Service Pay

THE GRIGG COMMITTEE REPORT

CONTRIBUTED

NOT the least cogent of the recommendations made by the Grigg Committee in their report on recruiting[1] was the need for simplification of the rates of Service pay and allowances.

The committee's principal interest in such a simplification lay in the greater ease with which it would be possible to advertise the serving man's weekly wage as an attraction to engagement. At present a soldier, sailor or airman's pay is so confused by additions and deductions for food, lodging and by a variety of compensatory allowances that a bald statement of basic pay without allowances does not present his remuneration in as attractive a light as it deserves.

Advantages of Simplification

The committee emphasized that they had no interest in simplification for the sake of simplification, but in addition to making easier the advertisement of the serviceman's real wage and thus helping to attract recruits, simplification could also help to remove minor grievances within the Services and thus help to increase re-engagement by the removal of pin-pricks. In addition, simplification would permit officers to spend more time away from their desks looking after their men and in this way make service life more attractive.

An additional benefit, but not one which came within the committee's terms of reference, would be the reduction in establishment and in the requirement for uniformed manpower which would result. In this connection the War Office last year announced that an order had been placed for an electronic computer system for the Royal Army Pay Corps which will keep the pay accounts of every soldier in the Army. This computer will cost £700,000 but its introduction will result in a reduction of 600 pay clerks from

[1] Report of the Advisory Committee on Recruiting. Cmnd. 545.

the establishment – an economy which will soon offset the machine's capital cost.

In the 1958–59 Service budget, pay and personal allowances for uniformed personnel accounted for some £335 million. Of this figure £236 million, or very approximately two-thirds went in pay, and £99 million in allowances. Out of the £99 million for the latter, three particular allowances account for 88 per cent:

Marriage allowance	£46 million
Local overseas allowance	£18 million
Ration allowance	£23 million

The Present System

The committee considered that the present system of soldier's pay looked more complicated to the outsider than in fact it is, because of the great number of individual rates. The complications arise because the system attempts to reward skill, responsibility and length of service. Since 1946 the 'three-star' system has become a 'seven-star' system and the introduction of committal pay has trebled the number of effective rates.

In practice, however, the present pay system for other ranks does not give rise to a great deal of error and confusion, nor does it result in over much work. An analysis of 180,000 soldiers' pay accounts for one month showed 879,000 entries, of which only 27,300 were the result of changes in pay entitlement. The complications of the system are in fact simplified to the individual soldier who looks only at his own particular promotion ladder of progression, and worries his head little about the remuneration given to other men on other ladders except in so far as the man in the next bunk may be getting more than he on pay day.

The committee considered that the pendulum is now due to swing again towards simplicity. One welcome alleviation in the number of rates will of course follow on the discharge of the last of the National Service entries. But if no one is to lose by a general simplification and no reserved rights are to be created, simplification must stand over until the next pay increase, since on simplification, rates would have to be 'rounded up'. A War Office plan to replace a seven-star system by a three-star system would, for instance, involve approximately £4 million a year extra.

The types of allowances which are paid can be classified into:

(*a*) Those paid to the individual who is required to meet extra expense in the course of his job, for example, for travel or for moving house.

(*b*) Those paid to the individual who is required to provide for himself something which is not provided in kind. These are mostly the result of a system whereby it is assumed that the serving man will be provided with food, service and accommodation.

(*c*) Marriage allowance.

A plan to pay the soldier a gross weekly wage like other people and then deduct a charge for his board and lodging was considered and rejected. The difficulty lies in the wide variation in the quality of board and lodging provided. It would be difficult to justify a charge for men required to camp in the open, and any system of intermediate charges would only create a mass of administrative work. Either way would lead to grievances without number.

Unwelcome Form-filling

It was suggested to the committee that allowances tended to breed either grievances or the introduction of other allowances. The committee did not accept this suggestion but they had no hesitation in stating that allowances did breed work and that an unwelcome amount of form-filling tended to follow in their train. In general, the simpler the regulation, the simpler the procedure for claiming and the fewer the queries. They suggested that sometimes it might even be more expensive in men and money to exclude small categories from entitlement than to make an allowance simpler and payment more general. For example, the rules about raising charges for single quarters occupied by married officers are logical, but they are expensive and often create a disproportionate sense of grievance.

Although the system of Service pay appears, and often is, complicated, the committee formed the view that it was not unnecessarily so in view of the scope of the duties performed and the wide range of conditions under which the serving man was required to work and live. Immediate action could be taken to abolish one or two minor allowances, simplify entitlement generally and reduce the number of different rates. Real reform, however, is only practicable when governments are prepared to spend enough money to enable them to frame their regulations in such a way that nobody is worse off by reason of the changes. It is out of the question to alter codes so as to reduce the pay of men already serving and it would be unwise to create a welter of reserved rights.

With these reservations, the committee concluded that the existing pay codes provide proper incentives and adequate allowances to maintain morale in the Services at an economical cost.

An Accountant Looks at Take-over Bids

by DOUGLAS A. CLARKE, LL.B., F.C.A.

TAKE-OVER bids are a fascinating development of business and professional life since the war. They do not owe their origin to any single cause and do not arise as a result of specific legislation or judicial decision: but they seem to have grown naturally out of the whole complex soil of current business conditions.

The meaning and essence of a take-over bid is that the bidder makes a bid direct to the shareholders of a company over the heads of the directors. It is customary for the bidder to raise the matter first with the directors of the company in the hope that they will recommend their shareholders to accept and so ease the bidder's task; but even if the directors are agreeable to a discussion of the proposals and to recommend their

of the First Book of Kings which is an early take-over bid of property:

(1) And it came to pass after these things that Naboth the Jezreelite had a vineyard which was in Jezreel hard by the palace of Ahab, King of Samaria.

(2) And Ahab spake unto Naboth saying, Give me thy vineyard, that I may have it for a garden of herbs, because it is nigh unto my house: and I will give thee for it a better vineyard than it; or if it seem good to thee, I will give thee the worth of it in money.

(3) And Naboth said to Ahab, The Lord forbid it me, that I should give the inheritance of my fathers unto thee.

Although the bid was for the whole property and no question of shares arose, these three verses bring out one of the essential features of take-over

shareholders, such as the amalgamation of banks; the amalgamation of the railways in 1921; and the subsequent rationalization of the engineering industries.

For most of the inter-war period there was a background of deflation, with over-supply of manufacturing facilities, arrangements for closing of shipyards and other redundant manufacturing capacity and reductions of capital; a situation very different from the inflationary conditions of the war and post-war years.

An Important Factor

The structure of companies is also an important factor in take-over bids but the subdivision of ownership rights into small fractional holdings of shares is not new. The constitution and framework of the company, and the background of general law and the Companies Acts are of importance not only as determining legal rights of ownership, but also the rights of control and making decisions. The ownership of shares carrying just over half the votes is sufficient to enable the holder to oust the directors and obtain control of the assets of the company though not to vary the company's constitution. Power of this kind has its effect on the principles of valuation of shares and the values of holdings of different sizes.

The separation of company management from ownership, which is not new but is more apparent in recent years, has produced the special element in take-over bids that the interests of directors and shareholders in a company may differ, so that the bidder may obtain advantage through going over the heads of the directors to the shareholders themselves.

Although most of the elements of the take-over bid are of old standing, it does not follow that take-over bids would have been reached by a gradual process of evolution. It is, I think, more reasonable to suggest that take-over bids have blossomed out in the specially favourable circumstances of the post-war years; a new art or technique and a new way of business and financial life having been born out of old constituent material.

It is the war and post-war period that has set the scene for the era of take-over bids, though it does not follow that the cessation of these favourable conditions will result in the abandonment of take-over bids which have been found to have virtues that were unexpected when they first arose.

Controls and High Taxation

During the last war, demand for war production and the shortage of raw materials would naturally have led to high prices and profits, but for the close Government controls and heavy taxation. For those who supplied the Government, the control of contract prices and the costing investigations on behalf of the Government were directed to ensuring that raw materials and the usage of fixed assets had their historical cost value and not any higher current value that could have been obtained in an uncontrolled market. For civilian manufactures, the Government instituted price controls based on the same assumptions that raw materials were carried at cost and fixed assets at depreciated historical cost, with depreciation charges limited to the depreciation allowances for tax purposes, which were then based strictly on historical cost.

For those who attained, during the war, substantial production and profits, the excess profits tax drew off 100 per cent of the profit in excess of a pre-war standard but with an increase in the standard and a relaxation of the tax payable if profits were not distributed. For distributed profits the combined rate of income tax and surtax could reach a maximum of 97½ per cent. This set-up of direct controls, price regulation and taxation did not encourage the increase of dividends to shareholders. After the war the excess profits tax was repealed but a higher rate of profits tax was imposed in 1947 on companies with relief if profits were not distributed. As late as 1952 and 1953 an excess profits levy was imposed which carried allowances for profits retained in the business and not distributed.

Pre-war legislation for charging privately controlled companies with surtax if their distributions were not reasonably adequate, were relaxed by a statement of the Chancellor of the Exchequer on July 22nd, 1948, that a distribution or the absence of a distribution in previous years would still be regarded as a reasonable distribution in future years, so long as money was not withdrawn from the company by way of capital: and this Chancellor's 'umbrella' protecting the continuance of low or non-existent distributions was not finally withdrawn until August 1957.

Restraint in Dividend Payment

In addition to legal sanctions and special tax inducements, there were for ten years appeals from successive Governments for restraint in payment of dividends in order to limit purchasing power and prices and to make possible and encourage restraint by the trade unions in making wage claims.

Restraint in distribution was also encouraged from within in order to provide working capital and to finance the holding of fixed and current assets purchased since the war at greatly increased prices; indeed, with Government restrictions on borrowing and on issues of share capital, internal creation of working capital was for some companies the only sure method of securing it. In a broad sense this situation continued until the removal of the Chancellor's surtax 'umbrella' in August 1957, and the elimination in February 1959 of most of the restrictions on borrowing or issues of stock up to a million pounds.

Restraint in making profits and restraint in fixing the proportion to be distributed seemed, in the post-war years, to be the ideal of conduct to which directors should conform. With low distributions

and without expectation of increase, the stock exchange prices of the company's shares would also remain low. As late as 1952 *The Financial Times* index of leading ordinary shares was only 105 as against a base of 100 in 1935 when the index was first instituted. This means that in 1952 it was apparently possible to buy leading ordinary shares at about the same money value or at one-third of the real value of the same shares in 1935. Looking back from the present time when this ordinary share index has reached about 250[1] one can see what an opportunity was offered to buyers in 1952; and it is now fully understandable how the coincidence of low profits with assets with a high current value could present such an opportunity to buyers, and particularly to take-over bidders, to secure assets of a high current value on the basis of the low profits earned; and in this they were helped by the limited rights of ownership possessed by the holders of small parcels of ordinary shares.

Limited Rights of Shareholders

Although all the shareholders of a company may be regarded as owning the whole of the company's assets after payment of liabilities, it is not true or significant to say that the holder of a small fraction of the shares owns an aliquot part of the total value. The member holds his shares under the provisions of the memorandum and articles of association and subject to the provisions of the Companies Act. The probability is that the articles entrust the directors of the company with the management of the company. The shareholder may not then interfere in the management and his annual benefits are limited to receiving a copy of the annual report and accounts and his share of the dividend. He is entitled to attend the general meetings of the company and to join with the other members in approving the accounts and electing directors and auditors, and in approving, but not increasing, the dividend recommended by the directors. His real power is the indefeasible right of a majority of shareholders to remove the directors which may be at a general meeting which may be convened by one-tenth of the shareholders acting together. One-tenth of the shareholders may apply to the Board of Trade for the appointment of an Inspector and there are rights to go to the Court for relief against oppression. Otherwise his rights are very limited as the Courts generally decline to intervene in internal disputes that can be settled by a vote of the members. Only if the company is wound up, or if there is a reduction in capital is he entitled to a share in the assets in accordance with his rights under the articles of association.

Fractional Holdings

A shareholder with a small fractional minority interest has thus little effective power of decision and must accept the directors approved by the majority.

[1] Now about 300.

He has the right to receive what the directors decide to distribute after paying directors' remuneration and taxes, and after retention of profits to provide finance for capital outlay and additional working capital. The value of his shares is the capitalized value of expected future dividends to which there may, if appropriate, be an addition for the present value of receiving any windfall in a winding-up at any indefinite future date, or a deduction against the risk of the asset value being lost in carrying on the business or through the nationalization of the business or its real property. In a public company the value of a small holding can be ascertained from the stock exchange quotations.

Interesting Case

An interesting case arising out of the war brings out neatly the difference between the value of a fractional holding of ordinary shares and the value of a corresponding fraction of the assets of the company. The Minister of Aircraft Production made an Order on March 17th, 1943, for appointment of a controller of Short Bros. Ltd, and a few days later, on March 23rd, 1943, made a further Order under the Defence Regulations for the transfer of all the shares in the company to his nominees. For these shares the price was to be not less than the value of those shares as between a willing buyer and a willing seller on the date of the Order appointing the controller, subject to the arbitration, if required by a seller, of a qualified accountant appointed by the Lord Chief Justice. The Treasury Commissioners contended that the stock exchange price of 29*s* 3*d* should be adopted while the shareholders claimed that the value of the whole undertaking should be divided between the shareholders. The arbitrator gave his award in an alternative form and the House of Lords, affirming the lower Courts, held that the stock exchange price of 29*s* 3*d* was appropriate for the individual parcels of shares the value of which had to be ascertained and not a price of 41*s* 9*d* obtained by sharing the total value of the undertaking among the shareholders.[1]

Benefit of Majority Holdings

If the shareholder owns or can acquire over 50 per cent of the shares and voting power, the value of the shares would normally increase in value, since he will now be able to select his own directors and control the policy of the company; he must, however, still keep in mind the rights of the minority shareholders and cannot alone alter the constitution of the company until he owns 75 per cent of the shares. If, however, he is able to acquire 90 per cent of the shares he has the right, within four months, to expropriate the remainder (under Section 209 of the Companies Act, 1948) at the same value and so obtain full ownership of its assets for the price paid for the shares.

If a company's dividends have been small, so that

[1] *Short v. Treasury Commissioners* ([1948] 2 All E.R. 509).

their capitalized value falls far short of the current value of the assets, the take-over bidder who secures 90 per cent of the shares can make a considerable profit. To take a simple example, if a company holds attractive property on pre-war leases which will soon fall in and continues to pay dividends at the pre-war rate, the individual shareholders may be tempted by an offer of two or three times the value of the capitalized dividend, while the underlying value of the property may be four or five times that value.

The same situation may arise if the directors have only achieved a small profit and made a small distribution when the business in other hands and with other methods is capable of much greater profit. The take-over bidder may acquire the shares by some capitalization of the small dividend and sell them later by reference to the larger profit and dividends.

Another common example is where a business makes an adequate rate of profit but holds properties and investments yielding a small return which are not required by the business. If a take-over bidder can get control of the company he can either improve the return from the property, or better still realize the investments and with the proceeds buy instead properties or investments owned by the bidder or by the company that is being used by the bidder making the purchase. With brilliance of judgement and some good fortune, a take-over bidder may be able to finance all or part of the cost of purchase of the shares out of the assets of the company whose shares he is acquiring.

The setting up of current values of business assets in excess of cost seems contrary to inherited accounting instincts based on experiences of the past. The writing-up of assets in the conditions immediately following the war of 1914 to 1919 was followed by the reductions of capital when prices fell and the sufferers were the employees as well as the shareholders. For rate-fixing of public utilities, the battles between the undertakings and the public have firmly established cost as establishing the depreciation allowable in computing fares and rates.

So far the take-over bids seem to have had a healthy effect in facing us with the need for full use of our resources at their current values, but there is still the possibility that over-optimistic estimates of current values and maintainable profitability of business assets may bring some businesses to grief. Certainly the high prices paid for some businesses, particularly after competitive take-over bids, will set their directors quite a problem as to how to earn sufficient profit to justify the prices paid.

Defences against Take-overs

What defences are available to directors against the take-over bid? It would in the first place be wise for them to look critically at their own management of the company. Have they allowed the business to earn inadequate profit? Have they retained more profit than was necessary for the maintenance and normal development of the business? Have they held investments and property in excess of reasonable requirements? Have they failed to increase the business to meet public demands?

The answers to these questions may indicate the best defences:

(*a*) to increase the profit-making;
(*b*) to distribute a greater proportion of the profit;
(*c*) to use the unnecessary investments and property to buy assets for the extension of the business or if not so required, to make a return of capital to the shareholders.

These measures have the merit that they are in the interests of the business and of its shareholders. The directors may have been spurred on by the approach of the bidder, but the policies are still as sound as the directors can devise.

Two other measures that can be taken do not, in fact, improve the profitability of the business or necessarily increase the income of the shareholders but they are likely to raise the stock exchange quotations for the shares. These defences are:

(*d*) to capitalize reserves and make a bonus issue to shareholders. (This raises an expectation of higher distribution in future unless the directors warn the shareholders to the contrary);
(*e*) to revalue the fixed assets. (This seems to encourage shareholders by a disclosure of a latent surplus value that previously was not known; but it makes patent what previously the take-over bidder had only guessed. Although the directors may gain some time, the disclosure may eventually result in still higher take-over bids, as may have been the case recently in the successful take-over of Harrods.)

If the take-over bidder moves quickly there may not be time to bring all the measures to fruition, but the directors can at least inform the shareholders of what is being done at once and what will be carried out in the near future.

Analyse the Bid

While doing their best to put their own house in order, the defending directors should have the bid analysed to ascertain its real worth: particularly if a large part of the bid is in the form of shares of an existing or a newly-formed company, or if the shares offered carry no voting rights in the bidder's own company. Even if these shares have a current stock exchange value that justifies the bidder's claim, the real question is: What would be the maintainable value of the shares after the bid went through? It may be that, after such an examination of the bid, the directors may be able to recommend to the shareholders that the bid is inadequate, though the shareholders are likely to require definite statements from the directors as to how they propose to establish a higher value if the bid does not go through.

An astute bidder may have chosen a moment which is very difficult for the defence. Perhaps the company has used all its spare money and borrowing facilities in some capital development which may become of great value but from which no immediate profit

return can be expected. The situation can be explained to the shareholders but they may not be prepared to wait for the maturing of the new development.

If the directors are convinced that the bid is inadequate and can find someone willing to bid still higher, the shareholders would have no complaint, but if the second bidder is an associated company its directors must be able to justify to its shareholders the higher price they have offered and a subsidiary may not acquire shares of its parent company by Section 27 of the Companies Act, 1948.

Impregnable Position

An almost impregnable position exists where a non-subsidiary company holds a substantial proportion of the shares of its parent company which falls short of control, but though not illegal it is thought to be a confusing situation that it is difficult later to unravel.

Ingenuity may suggest other defences in some cases. If the object of the bidder is merely to secure some free assets and then get out, he may be put off by pressing on with large new development plans involving the sale of free investments and the charging of marketable properties to secure debentures; though this should only be done if fully justifiable on business grounds.

Where the bidder has stated that he would maintain the business and look after the interests of the staff, it has not always worked out so in practice, and if the bidder afterwards changes his mind and dismisses the staff, there is generally no redress beyond the entitlement of employees under existing contracts. If a company would be vulnerable in the event of a take-over bid, the directors may wish to ensure that members of the staff have the security of individual contracts which are fair in the circumstances of the particular business and employee, though eleventh-hour contracts for a long period should not be executed without good reason and without legal advice. Where existing individual contracts are running out it would often be reasonable to renew them in good time before their expiry.

Defences and counter-measures that are not justified by business reasons cannot safely be adopted. When the board of Savoy Hotel Ltd was faced by a take-over bid, the directors decided to sell *The Berkeley Hotel* to a new subsidiary company (whose shares were held by pension fund trustees) and which leased it back to the Savoy Hotel Ltd with a restriction preventing its being used otherwise than as a hotel. Although it was established that the directors genuinely believed that this was in the best interests of the company, Sir Milner Holland, Q.C., reported that in his view their action was improper. The power in the memorandum of association to sell property of the company was given to enable the directors to sell when the company's interests would be served by selling: a sale designed to freeze the existing user of the property was an abuse of the power.

A great many of the take-over bids are not launched with a view of obtaining a tax-free profit or of taking advantage of exceptional market conditions and values, but are intended to have long-term beneficial effects on an industry. The bidder approaches the directors with a view to entering into discussion and obtaining the consent of the directors to the amount of the offer: it is only if the directors refuse to discuss the offer that it is made over their heads to the shareholders. The motive of the bidder may be to obtain or make wider use of management ability; to provide a wider range of products; to secure additional sources of supply; to avoid duplication of capital outlay or of research expenditure. The Restrictive Trade Practices Act, 1956, has eliminated restrictive price-fixing agreements unless they can be shown to be for the benefit of the public and price-fixing between two businesses may now be possible only if the two businesses are amalgamated.

The offer will generally be conditional on the bidder obtaining acceptances from a specified proportion of the shareholders.

Duty of Directors

What is the duty of directors to the company and its shareholders when they learn of proposals for take-over bids?

It has often been stated that directors are trustees and that they stand in a fiduciary capacity and from this it is clear that they may not secure for themselves any financial benefit beyond what is authorized under the articles of association of the company. Directors are, however, entrusted by the articles of association with the power of management of the company and its business free from the interference of the shareholders and are constantly acting in business situations that trustees do not often meet. It cannot be the duty of trustees to conduct the business of the company so that each day-by-day transaction squeezes out the maximum profit for the shareholders: disaster would very soon supervene. As Mr George Goyder stated in 1951 in the first sentence of *The Future of Private Enterprise*.[1]

> 'Industry in the twentieth century can no longer be regarded as a private arrangement for enriching shareholders.'

But as a business man of experience of large undertakings he appreciated that modifications in the law and in the constitution of companies would be needed if they were to be brought into line with the new ways in which industry is in fact conducted.

Obviously the directors must maintain the goodwill of the company and treat fairly the managers and employees and deal fairly with the suppliers and customers. The long-term interests of the company must be fostered and the short-term interests of the existing shareholders surely cannot require the

[1] Basil Blackwood, Oxford.

directors to seize the utmost immediate financial advantage out of every business situation. We all know that it is not customary for directors in companies of good reputation to manage their companies otherwise than with a sense of responsibility to those who work for the company and to those who have dealings with the company.

Best Interests of the Company as a Whole

In his proposals this year for a new company law in Ghana, Professor L. C. B. Gower expresses this wider sense of responsibility of directors in the following draft clauses of Section 198:

(1) a director of a company stands in fiduciary relationships towards the company and shall observe the utmost good faith towards the company in any transaction with it or on its behalf;

(2) a director shall act at all times in what he believes to be the best interests of the company as a whole and in such manner as a faithful, diligent, careful and ordinarily skilful director would act in the circumstances;

(3) in considering whether a particular transaction or course of action is in the best interests of the company as a whole, a director shall have regard to the interests of the employees as well as the members of the company.

Professor Gower inserted clause 3 as he considered it anachronistic to regard the company as consisting exclusively of the members but it seems that it is not part of established English law.

He quotes the Master of the Rolls in *Greenhalgh v. Arderne Cinemas* ([1951] Ch. 291; [1950] 2 All E.R. 1120) as saying that

> 'the phrase "the company as a whole" does not . . . mean the company as a commercial entity as distinct from the corporators;'

and Sir Milner Holland, Q.C., in his report on the affairs of Savoy Hotel Ltd in 1954, that consideration of the welfare of the staff and the nation

> 'were considerations which, however meritorious, would not seem to me to form part of a true legal definition of the interests of the companies'.

Professor Gower concludes that in England

> 'It would seem therefore that at present the legal view is that "the company as a whole" means the long-term interest of members and members alone.'

Reconciling Legal Obligations with Business Considerations

How can directors reconcile their legal obligations as they have been hitherto pronounced and their normal attitude to recurring problems affecting the welfare of the business, its goodwill and the various persons concerned?

Lord Greene, when Master of the Rolls, said that the directors must act

> 'bona fide in what they consider – not what a Court may consider – is in the interests of the company'.[1]

[1] *Re Smith and Fawcett Ltd* ([1942] 1 All E.R. 542; [1942] Ch. 306).

These words, I think, may be taken as some comfort for directors in the difficult decisions they must make. They suggest that the Courts do not wish to supplant the directors in using their own judgement and that there is some sympathy with directors who do act bona fide and give responsible consideration to what they fairly believe to be in the interests of the company as a whole. Clearly directors faced with unexpected and unusual take-over bid problems should at once take the best legal, financial and business advice that is available to them.

Perhaps it is directors who will most experience the full revolutionary effect of this new era of take-over bids. It is undoubtedly true that business life and conditions require the best top management and those who invest and advise on investment look for this as their primary requirements in an industrial company. Generally speaking, directors are in practice self-perpetuating and the power of the shareholders to remove directors is seldom effective in practice.

Auditors have the duty to see that the accounts present a true and fair view of the profits, but extension of an audit to cover the management of the company does not seem to be practicable at the present time or effective in some countries that have introduced it. The preparation of budgets (with a view to the comparison of performance with the budget) sets up a standard of achievement but it is a standard set up inside the organization.

Full and Efficient Use of Resources

Though the take-over bid or the ever-present risk of a take-over bid may be, in some ways, a rough and ready instrument it acts decisively and is not a respector of persons. Whatever the defects and limitations of take-over bids, they provide a constant reminder to directors of the need for full use of the company's resources and that standards outside the company exist by which their direction and the performance of the company can be judged and even brought to an end.

I do not think we have yet seen all the changes which may result from the changed way of life in which take-over bids occur. We have already experienced some take-over bids by American corporations to take over undertakings owned by British companies and bids crossing national frontiers may become more common. There are also some public references to the use of bids by governments for political ends or by government agencies to achieve new forms of investment.

Apart, however, from these big prospective changes we can expect a continuance of the debate in industrial and commercial life as to how, in individual companies, the long-term advantages of goodwill connection and know-how and an established position of the staff can be combined with the ideas derived from the take-over bid that full and efficient use must be made at all times of the assets and the commercial possibilities of the business.

Weekly Notes

Towards Clearer Company Accounts

THE day of the old family business with all its secrets contained in a locked private ledger, to which only the chairman and the trusted secretary held keys, is passing. Many of these concerns, owned by a handful of shareholders half of whom bore the same surname, have been transformed by circumstances into large impersonal public companies. Turnover and profits have become multiplied far beyond the aspirations of the Victorian and Edwardian founders and the shares, instead of being carefully willed from generation to generation of the same family, change hands almost daily in the world's stock-markets.

Tradition, however, is hard to break down and although the fortunes of this or that great company, whose sole link with the past may be that it still carries in its title the name of the man who started it, are now the interest and concern of a legion of shareholders, potential investors and investment analysts, there remains a certain reticence about making adequate and up-to-date announcements about profits and prospects. Just what information is required and when, by institutional investors and others, was the subject of a recent address to the London and District Society of Chartered Accountants by Mr A. R. English, A.C.A., chief accountant of the Industrial & Commercial Finance Corporation Ltd.

Echoing a plea for interim factual statements which is constantly being made in the columns of this journal, Mr English questioned why companies cannot produce reasonably accurate and informative profit and loss statements with a short report on trading conditions, not annually or half-yearly, but quarterly. If the information is available to the directors, he asked, why not pass it on to the shareholders who own the company? Again, because the chairman's annual review must be more recent than the annual accounts with which it is now generally circulated, Mr English would like to see its scope enlarged to embrace all aspects of the company's operations, for example, the raw material position, physical output, man hours worked and labour relations. The review should also make extended reference to the present conditions and future outlook of the industry generally and what external factors, political, climatic and others, are likely to help or hinder the progress. Finally, in this field, Mr English advocates that a transcript of the proceedings of annual general meetings should subsequently be sent to all shareholders, for on these occasions matters more recent than are disclosed by, or contained in, either the accounts or the chairman's previously prepared address may be discussed and it is but equitable that every member should be aware of them.

After modestly stating that it would be out of place for him to elaborate to City accountants on the form in which accounts should be presented to shareholders, nevertheless Mr English went on to make some penetrating observations on how these documents could be improved. In particular, he would like to see accounts 'as clear as possible' – a happy medium being struck between 'undue concentration' and an over-elaboration of notes. He regrets, as do most accountants, the as yet almost complete absence in United Kingdom accounts of turnover figures without which

> 'no proper appreciation of a company's progress can be made, neither can its profit be compared with the energy which has been exerted to make such a gain'.

Among other improvements which might become standard practice are a layout in the profit and loss account which would enable the analyst to compare gross income received from investments with the capital sums invested as shown in the balance sheet and a unification of the diversity of ways in which the taxation position is at present set forth so as to give a full and complete statement of the liability, both current and deferred.

The Betting and Gaming Bill

THE text of the new Betting and Gaming Bill was published on Monday. With twenty-three clauses and six schedules, the Bill covers some thirty-six pages and in general adopts the recommendations of the Willink Commission which reported over ten years ago. The object is to rationalize the law, to permit without restriction the more innocuous practices which now are technically illegal, such as whist-playing and automatic machines which return one's penny, and to bring out into the open and control those forms of betting which seem to be ineradicable but which can cause distress and misery.

Under the Bill the use of premises as a place of resort for betting will still be, in general, illegal but there will be exemptions for race-courses, race-tracks, and licensed betting offices. Every book-maker will have to pay £100 for a permit and will be registered; undesirable persons will not be able to trade as book-makers. People will not be allowed to loiter in betting offices and there will be no wireless or television there; it will be a matter of placing one's bet or collecting one's winnings (if any) and departing. The fine for street betting goes up to £100 for the first offence and thereafter three months imprisonment or a £200 fine or both.

The expressions 'qualified accountant' and 'qualified auditor' in the Betting and Lotteries Act, 1934, and the Pool Betting Act, 1954, are defined in the Bill on the lines of the definition in the Companies Act, 1948.

Local Employment Bill

SHORTLY after Parliament reassembled the Government published its Local Employment Bill which is to replace the Distribution of Industry Acts, 1945 to 1958, and give increased powers for providing employment in localities where unemployment is high. Clause 3 gives the Board of Trade a new power to make grants to employers to assist in the capital cost of building or extending their premises. The grant is to be at a flat rate of 85 per cent of the difference between the estimated cost of a suitable building and the estimated value of such a building when completed. Clause 4 gives the Board power to make grants to assist a business to carry on. There is a useful provision in clause 5 enabling the Board to acquire derelict, neglected or unsightly land and to provide employment in bringing the land back into use or improving the amenities.

There are to be three industrial estates management corporations, for England, Wales and Scotland respectively, each with a chairman and four other members, who are to include persons having adequate experience in accountancy, building or estate management. These corporations will manage land acquired by the Board of Trade under the Act. They are to keep accounts which are to be audited by qualified auditors. They will also take over the functions of the industrial estates companies set up under the earlier Acts.

Financing the Exchequer

THE latest issue of *Economic Trends* summarizes an analysis of Government financial requirements originally prepared for the Radcliffe Committee covering the seven financial years 1951–52 to 1957–58. These figures included the needs of the nationalized industries and public corporations. In *Economic Trends* the analysis is now brought forward for each quarter up to March 1959. Similar tables are to be published quarterly in future issues of the *Monthly Digest of Statistics*.

The article accompanying the latest tables offers a general account of the financial management of the Exchequer followed by notes on the items in the tables. The Budget figures given in the tables follow the definition given in the Financial Statement which appears as a White Paper at the time of the Budget. A definition is also given of below-the-line figures in the Budget. The capital requirements of the nationalized industries and the Post Office are shown net.

Extra budgetary funds shown include such items as the National Insurance Fund and the Iron and Steel Realization Account. External items are shown, including on the income side sterling receipts from the Exchange Equalization Account, sterling receipts for American aid and loans taken up by the United Kingdom Government. The increase in the fiduciary note issue is shown separately and so are borrowings from the public. These last are identified under three headings: small savings, tax reserve certificates and Treasury deposit receipts. Finally, the net borrowing from or repayment to the public by the Exchequer in the form of Government and Government-guaranteed marketable securities are shown as a separate figure. This last item does not include Treasury bills which are shown separately.

National Income: Second Quarter

ACCORDING to the latest official figures the gross domestic product of this country increased during the second quarter of 1959 by 6 per cent compared with the same quarter of 1958. The increase was also 6 per cent if measured at 1954 prices, so the recorded increase is a genuine rise in the volume of goods and services made available.

Total expenditure on goods and services rose substantially during that quarter. When approximately corrected for seasonal variations and measured at constant prices, total final expenditure increased by some 4 to 5 per cent compared with the first quarter of the year and by between 2 and 3 per cent higher than in the fourth quarter of 1958.

Taking the first half of 1959, the gross domestic product went up by 2 per cent (measured at 1954 prices) and the increase compared with the first half of 1958 was remarkably even. Consumers' expenditure went up by 3 per cent, public authorities' current expenditure on goods and services by 2 per cent, gross fixed capital formation at home by 2 per cent and exports of goods and services by 1 per cent. There was no change in the value of stocks. It will be noticed that the increase in the gross domestic product has been accompanied by a comparatively larger increase in domestic consumption than in exports.

The Director's Day

THE same power which allegedly tends to corrupt, sometimes has the exhilarating (to the onlooker) effect of making those who wield it appear slightly ridiculous. This is demonstrated daily in an age which has produced more very important persons than any before it. In this galaxy, none are more important industrially than the director and the shop steward yet, even before the Boulting Brothers got to work on them, both were regarded generically as slightly comic types. To the defence of the former now springs the redoubtable Institute of Directors with the first composite picture of the life and work of the 'man at the top', derived from a recent survey by its medical research unit.

The investigation shows that far from being a sybarite, the average director may well be abstemious to the point of austerity. One fifth of them rely on public transport to get to work – only 6 per cent are driven by a chauffeur – but, however they get there, two-thirds of them are at their desks by 9.30 a.m. Nine-tenths of them spend three-quarters of their time in executive work outside the board-room. This is understandable as, in half the cases reported, the

issued capital of the company was less than £100,000. More than half regularly work late at the office, 40 per cent take work home in the evenings and nearly one-half work on Saturdays. Last year, holidays of three weeks or less had to suffice for three-quarters.

For 60 per cent, the 'business lunch' – entertaining or being entertained – takes place twice a week or less. One quarter do not smoke and of the others only 30 per cent admit to having even an occasional cigar. Four out of ten take daily exercise. Those under 50 account for 43 per cent of the sample and another 47 per cent are between 50 and 64. From these and other figures, to be obtained over a long-term period, the Institute's medical director hopes to define the occupational hazards of executive life.

Industrial Assurance

THE annual report for 1958 of the Industrial Assurance Commissioner, published last Monday, deals with the industrial assurance business transacted by fourteen companies and ninety-six collecting societies during the year.[1]

For the second successive year the number of new industrial assurance policies effected during the year showed an increase from 5,848,000 in 1957 to 6,421,000 in 1958. The sums assured by new business reached a new record figure of £361,619,000, despite the fact that the average sum assured by each new policy, £56 6*s* 0*d*, was rather lower than in 1957.

There were 119,450,000 industrial assurance policies in force at the end of 1958 – 249,000 less than at the end of the previous year. A total of 1,690,000 paying policies were converted into free policies, of which 564,000 were for the full sums assured; 2,464,000 policies (including 870,000 free policies) were surrendered for cash and 992,000 policies were forfeited without grant of a free policy or cash surrender value. Premium income for the year increased from £170,439,000 to £177,895,000. Claims on death amounted to £40,218,000 and claims on maturity to £48,957,000.

At the end of the year the industrial assurance funds of the companies for the first time exceeded £1,000 million, and total assets of collecting societies – whose industrial assurance funds amounted to £236,000 – for the first time exceeded £300 million.

The report shows that there is a tendency for management costs to rise in the smaller collecting societies with falling membership, but it does not follow that they are by any means extravagantly managed. The bulk of their business consists of old policies with very small premiums which were fixed in terms of pre-war money, whereas management must be paid for at present-day rates. The report goes on to suggest that where costs are unjustifiably high and there is no prospect of cutting expenditure or bringing in new business, the smaller societies should give consideration to a transfer of engagements to a larger society.

[1] *Report of the Industrial Assurance Commissioner for the year 1958.* H.M.S.O. 4*s* net.

Life Assurance Statistics

THE latest summary of statistics[1] compiled by The Life Offices' Association and Associated Scottish Life Offices relating to the years 1954–1958 (ordinary branch) records continued expansion in life and annuity funds.

New ordinary life business last year again broke all previous records. For the first time new premium income exceeded £100 million. The figure for 1958 was £102 million in respect of all new assurances and annuities compared with £89 million in 1957. The average sum assured under new ordinary policies had grown from £1,000 to 1954 to over £1,250 last year. Total premiums received in 1958 by the ordinary branch reached £459 million compared with £419 million in 1957.

Benefits paid out to policy-holders in 1958 included £53 million in respect of claims arising on death, £99 million in respect of maturing policies and £26 million in respect of annuities. These compare with 1957 figures of £46 million, £96 million and £23 million respectively. Total life and annuity funds (ordinary and industrial) stood at £4,632 million at the end of 1958.

Cable Industry Contracts

INCREASED vulnerability to competition is one of the consequences of the activities of the Court operating under the Restrictive Practices Act. The latest example of this is the cable industry. Associated Electrical Industries Limited has now closed down two cable works within three months. The first was the North Woolwich factory of W. G. Henley's Telegraph Works, the operations being transferred to the company's Birtley factory at Durham. The second has been the closing of the Liverpool Electric Cable Co Ltd. These contractions are taking place against a background of price cutting which has developed since the cable makers' price agreement was ended last April.

The industry has suffered from acute competition in export markets for a number of years. This has been particularly so at the lighter end of cable manufacture. Increasingly since the war the industry has depended on the home market which was protected by price agreements. This defence has gone and the industry is adjusting itself to the change.

Whatever may be the merits or demerits of individual cases, the contraction of industries which cannot stand up to competition at a time of full employment is to be welcomed. Scarce resources of management ability and workers can be transferred to industries where they can be put to better use, and capital is not used up in maintaining industrial capacity which needs protection.

[1] *British Life Assurance Statistics (Ordinary Branch), 1954–58*, available on request from The Life Offices' Association, 33 King Street, London, EC2, or Associated Scottish Life Offices, 23 St Andrew Square, Edinburgh.

Take-over Procedure

NOTES ON AMALGAMATIONS OF BRITISH BUSINESSES

IT says much for the City's financial institutions that in hardly more than three months after the Governor of the Bank of England suggested there was a need for a study of the subject of take-over bids and their *modus operandi*, they should have produced what is defined as a 'general guide to the principles and practices to be followed in such operations', though, in fact, neither the term 'take over' nor 'bid' are to be found in the text.

The study has been undertaken by the executive committee of the Issuing Houses Association in conjunction with the Accepting Houses Committee, the Association of Investment Trusts, the British Insurance Association, the Committee of London Clearing Bankers and the London Stock Exchange. It is discussed in a leading article elsewhere in this issue, and the sections of the text dealing with principles and procedure are reproduced below.

PRINCIPLES

(i) There should be no interference with the free market in shares and securities of companies.

(ii) It is for a shareholder to decide for himself whether to sell or retain his shares.

(iii) To enable him to come to a considered decision, the shareholder should have in suitable form and at the right time all relevant information, and it is the duty of the board of his company to make every effort to ensure that such information is provided and to give him their advice.

(iv) Every effort should be made to avoid disturbance in the normal price level of shares until the relevant information has been made available.

PROCEDURE

(i) When an offer is to be made by or on behalf of one company for the shares of another, it is generally advisable that the offer be made to the board of directors of the company in question and at the same time the board should be informed of the identity of the principal on behalf of which the offer is to be made. Although the offeror is seeking to make a bargain with the shareholders, their board is normally the best channel of approach and also the best source of advice for the shareholders.

(ii) When approached, the board of a company receiving an offer is entitled to require evidence that the offeror has or can obtain the resources necessary to satisfy full acceptance of the offer. It should inform its shareholders of the offer as soon as reasonably possible. The board should be given sufficient time in which to assess the merits of the offer, and should then give its views to its own shareholders.

(iii) Whether or not it recommends the acceptance of an offer, the board should make every effort to ensure that its shareholders are given all the requisite information upon which they can decide for themselves whether or not to accept it. This should include information with regard to the resources available to back the offer and a statement of the general intentions of the offeror as to the future conduct of the company and its effect upon employees. The board should inform its shareholders if it is unable to obtain the required information from the offeror.

If an offeror is already a shareholder in the company for the shares of which an offer is made it is desirable that this be disclosed in the offer to shareholders with particulars of the shareholding.

(iv) Offers for cash and offers by way of exchange of shares require somewhat different consideration. With the former, shareholders give up for cash all interest in the business in which they have invested, while with the latter they continue their interest in a different and presumably strengthened form. A cash offer is a matter of absolute, and a share offer one of relative, values in assessing the merits of the offer.

In the case of an offer in shares, or partly in shares and partly in cash, the shareholders receiving the offer should be given the fullest possible information on the future commercial prospects of the combined companies.

(v) If a board decides to recommend that an offer made to its shareholders should not be accepted, the offeror is still free to communicate direct with the shareholders without the recommendation of their board, and in such a case the board should be ready to facilitate this direct approach (at the expense of the offeror) whilst at the same time explaining to its shareholders why it does not recommend the offer.

(vi) When talks are proceeding which may lead to an offer being made, it is important to do everything possible to maintain secrecy. It is not easy for a board to decide when to make a public announcement. Whilst the ideal should be that the first announcement should include the terms of the offer, it may nevertheless be necessary, if there are signs of a speculative market arising in the shares concerned, for a preliminary announcement to be made. It is normally unwise, however, to make any announcement until it seems certain that an offer will in fact be forthcoming.

When the detailed terms of an offer have been agreed there will be at least a few days before the offer can be printed and sent to shareholders. It is normally desirable that the board of the company for which the offer is to be made should inform its shareholders, by Press announcement, of the terms of the offer immediately they are decided.

(vii) As a general rule, it is desirable that an offer should be for the whole of the share capital of a company or of the class of shares concerned. If,

in some very exceptional case, a partial offer is justified, this should be on a *pro rata* basis, and if acceptances exceed the amount required, they should be proportionately scaled down.

(viii) When an offer is made, shareholders should be given adequate time (say, three weeks) for accepting it. After an offer has been declared unconditional, a further period should normally be allowed for acceptances from late-comers. This is particularly so when Section 209 of the Companies Act, 1948, is not applicable. (This section contains provisions under which, in certain circumstances, non-assenting shareholders can call upon the offering company to purchase their shares and the offering company can, if it wishes, acquire the shares of dissentient shareholders.)

(ix) A board should be wary of refusing to put to its shareholders any serious and responsible offer. The well-being of the shareholders as a whole must prevail over that of the particular shareholders who may be directors. However, in the common case in which a stock exchange quotation has been obtained for a company's shares and only a minority of the shares has been sold to the general public, the investors who have acquired these shares must appreciate that their attitude towards any future offer may differ from that of the original proprietors.

(x) The device of dividing the equities of companies into voting and non-voting shares has had relevance in some offers made in recent years. While it may be justified in some conditions, it is not generally desirable.

(xi) The question of compensation for redundant employees, including directors, always needs careful consideration. In the case of directors, shareholders should be given the fullest information as to the manner in which any proposed compensation payments have been worked out. In this connection the existence of service agreements may or may not be relevant. If re-employment in a different capacity is proposed this should be disclosed.

(xii) Documents concerning offers for shares are, of course, subject to various statutory provisions, including Section 14 of the Prevention of Fraud (Investments) Act, 1958.

It is desirable that documents concerning offers for securities which are quoted on a stock exchange be cleared with the stock exchange authorities before their issue. This should not normally involve any delay.

Finance and Commerce

Words and Figures

THE chairman and managing director of Qualcast Ltd, Mr J. E. V. Jobson, delights in aphorism. 'The fellow who noticed that Lady Godiva was riding a white horse is my idea of an observant man' – 'Economy means doing without some of the things our parents never had' – 'The best way to kill time is to work it to death' – 'We purchase tomorrow today' – 'Decide on the strategy and then delegate the tactics'. Every page in the report and accounts has its gem of distilled wisdom.

There is one – 'Words are the most powerful drug used by mankind' – that has a special application in company reporting. Words are too often used where figures could, and should, be provided, as, for instance: 'current year profits to date substantially exceed . . . ' instead of 'profits for the first half of the current year were £150,000 against £100,000'. And despite his sage advice, Mr Jobson himself does this sort of thing. 'We have beaten all previous records both in value of our output and in profits earned', he says in his review with the accounts which we reprint this week. The profit, of course, the company has to give; but turnover is concealed in words. Or is it?

The fact is that Mr Jobson leaves around in his review the clues to a fairly close approximation of what the year's turnover was. On one page there is the 'Revenue analysis – or How we have spent the customers' £1', coupled with an 'Appropriation of profits' statement with percentages to show that the man who does best out of the business is the tax collector.

Calculation

From the appropriation, one can extract the fact that the net dividend figure is £263,154, and then relate it to the fact in the 'Revenue analysis' that net dividends represent 2·7 per cent of the customers' £1. Two seconds of mental arithmetic get one near to the number of millions of pounds the customers did spend; the result can be broadly checked by a further calculation: what was turnover if the appropriation of £421,756 to reserves was 4·3 per cent of the customers' £1? We make the answer £9·8 million. How right are we, Mr Jobson?

But let there be no suggestion that Mr Jobson is drugging shareholders' minds. He is one of the most down-to-earth, straight-speaking company chairmen – except when it comes to giving a turnover figure. It is pertinent to suggest that he should – as quoted on page 14 of the report – 'Turn a stumbling block into a stepping stone'.

Investment Income

ACCOUNTING procedure is being changed by the directors of Greeff-Chemicals Ltd in order to speed up the production of the accounts which for the year to end 1958 came nearly eight months after accounting date. The difficulty, as Mr S. B. Smith, F.C.A., the chairman, points out has been in the

QUALCAST LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH JUNE 1959

	£	£	1958 £
ISSUED SHARE CAPITAL OF QUALCAST LIMITED			
75,000 7% Cumulative Preference Shares of £1 each, fully paid	75,000		
6,272,647 Ordinary Shares of 5/- each, fully paid	1,568,162		
		1,643,162	*1,643,162*
CAPITAL RESERVES			
SHARE PREMIUM ACCOUNT	718,217		*718,217*
GENERAL. (See Note (1))	6,692		*2,868*
		724,909	*721,085*
REVENUE RESERVES			
GENERAL RESERVE	1,035,625		*635,625*
PROFIT AND LOSS ACCOUNT	362,431		*340,675*
		1,398,056	*976,300*
INTEREST OF MINORITY SHAREHOLDERS			
Preference Shares in Subsidiary Company		69,564	*219,564*
FUTURE INCOME TAX		841,050	*853,125*
TOTAL CAPITAL EMPLOYED		4,676,741	*4,413,236*
CURRENT LIABILITIES			
SUNDRY CREDITORS AND ACCRUED CHARGES	972,665		*987,070*
CURRENT TAXATION	446,743		*404,375*
PROPOSED FINAL ORDINARY DIVIDEND OF QUALCAST LIMITED, LESS TAX	158,482		*148,779*
PROPOSED DISTRIBUTION OF CAPITAL PROFIT	51,749		—
		1,629,639	*1,540,224*
		£6,306,380	*£5,953,460*

	£ Cost or Valuation.	£ Deprecia-tion	£	1958 £
FIXED ASSETS				
FREEHOLD LAND AND BUILDINGS	900,089	196,694	703,395	*681,572*
FREEHOLD AND LEASEHOLD DWELLING HOUSES, CLUB PREMISES AND SPORTS FIELD	22,195	7,560	14,635	*15,368*
PLANT, MACHINERY, MOTOR VEHICLES AND EQUIPMENT	2,285,353	1,422,435	862,918	*701,422*
	3,207,637	1,626,689	1,580,948	*1,398,362*
GOODWILL, TRADE MARKS AND PATENTS			1	*1*
			1,580,949	*1,398,363*
TRADE INVESTMENTS at Cost			—	*29,628*
CURRENT ASSETS				
STOCKS, STORES AND WORK IN PROGRESS, at cost, or under, as valued by the Companies' Officials		1,412,617		*1,861,593*
DEBTORS, BILLS RECEIVABLE AND PAYMENTS IN ADVANCE, after deducting provisions for Bad Debts, Discounts and Allowances		1,697,744		*1,613,690*
TAX RESERVE CERTIFICATES		—		*21,525*
SHORT TERM DEPOSITS		1,250,000		*700,000*
CASH AT BANK AND IN HAND		365,070		*328,661*
			4,725,431	*4,525,469*
			£6,306,380	*£5,953,460*

NOTES

	£
(1) Balance at 30th June, 1958	2,868
Add—Realised Capital Profits of Subsidiary Companies	55,573
	58,441
Less—Proposed Distribution of Capital Profit of 3% on increased Ordinary Capital of £1,724,978	51,749
Balance at 30th June, 1959	£6,692

(2) Taxation has been provided for on all Profits earned to 30th June, 1959.

(3) Outstanding commitments for Capital Expenditure are estimated at £54,766.

(4) Australian currency has been converted at a rate of exchange of 125.

V. JOBSON }
T. W. COOPER } *Directors.*
E. J. APPLEBY *Director and Secretary*

Words are the most powerful drug used by mankind.

Decide on the strategy and then delegate the tactics.

QUALCAST LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH JUNE 1959

	£	£	1958 £
GROUP TRADING PROFIT after charging General Trading Expenses, but before taking into account the items set out below		1,548,778	*1,414,114*
Add:			
Dividend on Trade Investment	2,817		*1,108*
Interest on Bank Deposits, Tax Reserve Certificates and Short Term Deposits	29,428		*34,357*
		32,245	*35,465*
		1,581,023	*1,449,579*
Deduct:			
Depreciation of Fixed Assets	173,827		*162,774*
Contributions to Employees' Life Assurance, Pension and Retirement Benefit Schemes	23,456		*21,465*
Auditors' Remuneration and Expenses	5,202		*5,608*
Past Directors' Pensions	5,052		*5,052*
		207,537	*194,899*
		1,373,486	*1,254,680*
Deduct:			
Remuneration of the Directors of Qualcast Ltd. in respect of services to the Group:—			
Fees	4,743		*4,779*
Emoluments as Executives and Pension Scheme Contributions	88,779		*76,214*
	93,522		*80,993*
Compensation for Loss of Office paid by Subsidiary Company	15,000		—
		108,522	*80,993*
PROFIT FOR THE YEAR BEFORE PROVIDING FOR TAXATION		1,264,964	*1,173,687*
TAXATION based on the Profits of the Year:			
Income Tax	506,707		*530,325*
Profits Tax	125,897		*138,747*
		632,604	*669,072*
PROFIT AFTER PROVIDING FOR TAXATION		£632,360	*£504,615*

Get your facts accurate and free from bias.

CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT
YEAR ENDED 30TH JUNE 1959

	£	£	1958 £
BALANCE transferred from Consolidated Profit and Loss Account		632,360	*504,615*
Add:			
Tax overprovided in previous years		63,800	—
		696,160	*504,615*
Deduct:			
Special Provision for Taxation		—	*115,365*
		696,160	*389,250*
Deduct:			
Premium on Redemption of Preference Capital of Subsidiary Company		11,250	—
		684,910	*389,250*
Add:			
Balance brought forward from 30th June, 1958:—			
Qualcast Ltd.	95,397		*98,652*
Subsidiaries	245,278		*129,774*
		340,675	*228,426*
		1,025,585	*617,676*
DIVIDENDS for the year to 30th June, 1959, less Tax:			
QUALCAST LTD.:			
Preference Dividend paid 31st Dec., 1958, and 30th June, 1959	3,117		*3,019*
Interim Ordinary Dividend of 10% paid 30th April, 1959	96,050		*67,627*
Proposed Final Ordinary Dividend of 15% on increased Capital of £1,724,978 payable 28th Oct., 1959	158,482		*148,779*
	257,649		*219,425*
SUBSIDIARY COMPANIES:			
Minority Preference Shareholders (paid)	5,505		*7,576*
		263,154	*227,001*
		762,431	*390,675*
TRANSFER TO GENERAL RESERVE—Qualcast Ltd.		400,000	*50,000*
BALANCE CARRIED FORWARD			
Qualcast Ltd.	237,679		
Subsidiaries	124,752		
		£362,431	*£340,675*

There is practically nothing we export which cannot be supplied by our competitors.

'Income from trade investments' at £141,730 in 1958, against £105,950, as compared with income from the company's own trading of £76,904, against £80,213.

The practice has been to bring into the profit and loss account the aggregate of all dividends declared in respect of the year under review, even though these dividends have not in fact been received by the company until after the end of the year. It needs no great feat of imagination to see that this can hold up the accounts – as has been the case this year. For the future, therefore, it is proposed to bring in dividends actually received during the year and this change, says Mr Smith, should enable completion of accounts much earlier.

It also means that the 1959 accounts will include only a small amount of income from trade investments and will not be on a comparable basis; but shareholders are assured that this will not affect the company's own dividend policy which will be related to the dividend income estimated as being receivable assuming the basis had not been changed.

Slow Change

PRESSURE of business since the General Election has made the need to improve stock exchange machinery all the more urgent. Paper work must be reduced and the London Stock Exchange is now inquiring into ways of simplifying the mechanics of share transfer. So many bodies and institutions are involved, however, quite apart from matters of law, that there can hardly be any quick answer to the problem.

On its own account the London Stock Exchange has plans for mechanizing the Settlement Department, using a Hollerith punched-card system, but even this will not be installed until next summer.

Change on the stock exchange is a slow process but the events of the past few weeks may well have emphasized the need for acceleration.

Next Week's Reprint

The reprint in next week's issue will provide an example of investment club accounts.

CITY NOTES

GRADUALLY the post-election boom in the stock-markets is slowing down. The rise in industrial equity prices seems to have reached a point where, to home investors at least, the attractions of profit-taking seem to outweigh the hopes of a still further rise.

To the European and American investor, however, yields on British equities still appear favourable and there is a fair volume of continental and North American support still coming in.

The sheer weight of money available for investment is also a supporting influence. The unit trust movement, for example, is estimated to be putting money into the market as a whole at the rate of something like £1 million a week. One group alone did £750,000 worth of business in two weeks after the election. Other unit trust managers report a record level of business.

It remains to be seen whether or not a substantial increase in new issue activity can absorb the greater part of available investment funds and so divert money from existing shares. In the first ten months of this year, according to the Midland Bank's statistics, as much as £405·6 million has been raised in new money through the market. That is £105 million more than in the first ten months of last year.

Success of recent new issues emphasizes that a great deal of available investment money is now seeking yield and sizeable offers can now be made on fair terms with a virtual guarantee of success.

November is expected to be an exceptionally busy new issue month and it is possible that, as this activity develops, the stock-market may gradually begin to feel the strain of competition and turn slightly easier as a result. There is, however, no expectation of any material setback in the industrial equity sections.

RATES AND PRICES

Closing prices, Wednesday, November 4th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Aug. 28	£3 9*s* 9·03*d*%	Oct. 2	£3 9*s* 10·48*d*%
Sept. 4	£3 9*s* 9·52*d*%	Oct. 9	£3 8*s* 9*d*%
Sept. 11	£3 9*s* 8·47*d*%	Oct. 16	£3 8*s* 4·91*d*%
Sept. 18	£3 9*s* 8·13*d*%	Oct. 23	£3 8*s* 6·74*d*%
Sept. 25	£3 9*s* 5·24*d*%	Oct. 30	£3 7*s* 8·53*d*%

Money Rates

Day to day	2–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3½–3 9/16%
Fine Trade Bills		3 months	3½–3 9/16%
3 months	4¼–5%	4 months	3½–3 9/16%
4 months	4¼–5%	6 months	3½–3⅝%
6 months	4½–5%		

Foreign Exchanges

New York	2·80¼–⅜	Frankfurt	11·69⅛–¼
Montreal	2·65¼–⅜	Milan	1739¾–40¼
Amsterdam	10·59⅛–⅜	Oslo	20·00½–¾
Brussels	140·20¾–·21¼	Paris	13·75⅜–⅝
Copenhagen	19·33–¼	Zürich	12·17⅞–·18⅛

Gilt-edged

Consols 2½%	51⅞	Funding 4% 60–90	92¼
Consols 4%	76 13/16	Savings 2½% 64–67	85 7/16
War Loan 3½%	67 3/16xd	Savings 3% 55–65	92 3/16
Conversion 3½%	67½	Savings 3% 60–70	83⅝
Conversion 3½% 1969	90	Savings 3% 65–75	77¾
Exchequer 5½% 1966	104¾	Treasury 2½%	50
Funding 3% 66–68	86⅜	Treasury 3½% 77–80	81
Funding 3% 59–69	84⅞	Treasury 3½% 79–81	79⅞
Funding 3½% 99–04	74 5/16	Victory 4%	95½

Current Law

Arbitration Clause in Partnership Agreement

AN agreement between partners engaged in a dairy business contained a clause providing for the reference of all disputes between the partners to arbitration. One of the partners brought an action for a decree of dissolution of a partnership, accounts and inquiries, and a receiver and manager, on the ground that by reason of the conduct of his co-partner it was just and equitable that the partnership should be dissolved. This claim appeared to fall within both paragraphs (*d*) and (*f*) of Section 35 of the Partnership Act, 1890.

In *Olver v. Hillier* ([1959] 2 All E.R. 220), Roxburgh, J., decided that the action should continue and dismissed a motion by the defendant for an order that the action be stayed on the ground that the partnership agreement provided for disputes to be resolved by arbitration. The learned judge exercised his discretion to refuse to grant a stay on two grounds; first, that the power of deciding whether it was just and equitable for the partnership to be dissolved was expressly conferred on the Court by paragraph (*f*) and, secondly, that the plaintiff sought the appointment of a receiver and manager, a matter conveniently left in the hands of the Court.

No Room for the Equality of Equity

THE plaintiff in *Diwell v. Farnes* ([1959] 2 All E.R. 379) sued as administratrix of her late husband, and the defendant was a woman with whom he had lived for a number of years. The widow sought possession of a house where the deceased and the defendant had lived as man and wife. They had both contributed towards the expenses of this establishment and of a previous house, and there was evidence that the deceased had regarded the two properties as belonging to him and the defendant jointly.

In dealing with disputes between husband and wife under Section 17 of the Married Women's Property Act, 1882, the Courts have applied the maxim 'equity delights in equality' and have held that the parties were equally entitled to the property in question. This principle the judge of the Ilford County Court applied in *Diwell v. Farnes* and on a counter-claim by the defendant held that the legal estate in the premises was held by her on trust for sale for the plaintiff and herself in equal shares.

The Court of Appeal (Hodson and Ormerod, L.JJ., Willmer, L.J., dissenting) allowed an appeal by the plaintiff and held that the dispute must be treated as one between strangers, and not by analogy to cases between husband and wife. It was possible to ascertain how much had been contributed by the defendant towards the purchase of the original house and the proceeds of sale of that house had been used for the purchase of the one which was the subject of the dispute.

Accordingly the Court of Appeal, following *Silver v. Silver* ([1958] 1 All E.R. 523) held that the contributions made by the defendant were contributions towards the purchase of the original house, with the result that she obtained an equitable interest in the proceeds of sale thereof, and likewise in the proceeds of the second house, limited to the proportion which her contributions bore to the total purchase price.

Date of Survivorship

THE testator in *Re Douglas's Will Trusts, Lloyds Bank Ltd v. Nelson and Others* ([1959] 2 All E.R. 620) directed his trustees to allow his wife to have the use and enjoyment of his personal chattels during her life, if she so long remained his widow, and gave his real estate and his residuary personal estate to his trustees on trust (subject to the payment of debts and funeral and testamentary expenses) to pay the income thereof to his wife during her life provided she so long remain his widow and from and after her decease or second marriage whichever should first happen, then he gave his estate and effects to his three sisters 'or the survivor or survivors of them'. A summons for construction of the will was brought by the widow, who had not remarried. The sisters had survived the testator but were now dead.

On the question of survivorship, Vaisey, J., pointed to the rule in *Cripps v. Wolcott* ((1819), 4 Madd. 11) to the effect that in bequests of personal estate words of survivorship are prima facie to be referred to the period of distribution: hence in the present case for the testator's sisters to take an interest in the estate it was necessary for them to survive the widow and this they had not done. It followed that the corpus of the estate was undisposed of and devolved in accordance with the intestacy rules. The testator had died in 1937, before the amendment of the Administration of Estates Act, 1925, by the Intestates' Estates Act, 1952, so that the rules in force prior to the amending Act becoming operative had to be applied. The widow now became entitled to the chattels absolutely, and not merely for life, as provided by the will, and the intestacy rules also gave her £1,000 out of the estate with interest at 5 per cent from the testator's death. The will already gave her a life interest in the whole of the residue so that in respect of residue she received a greater interest than she would have received under the intestacy provisions if the deceased had died survived by issue.

It was, however, necessary for the judge to direct an inquiry as to who was entitled to the corpus of the estate. A further point which arose was in con-

nection with the investment of the trust funds. The testator had authorized investment by his trustees 'on such securities as they may think fit without being responsible for any loss or for the failure of any banker, broker or other person in whose hands the trust funds may be', and Vaisey, J., held that 'securities' meant 'investments' and was not confined to secured investments.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries in the Profession

SIR, – I am writing in support of Mr Bertram Smith's letter in your issue of October 31st. It is well known throughout business circles that senior professional employees are grossly underpaid. The main reason is no doubt the size of professional firms, the largest of which are dwarfed by the giants of industry. It is a fact that larger firms can afford to pay more for the services of skilled seniors so that the answer may lie in the amalgamation of professional firms coupled with incorporation. The case for incorporation was very well stated by P. M. Christopherson and J. W. Mayo in their paper which appeared in *The Accountant* of March 29th, 1958.

The skilled qualified man who finds himself unable to enter into practice by reason of capital requirements or that his employers bring in their own friends or for any other reason, will naturally strive to leave the profession for the more lucrative posts in commerce or industry. In the long run this may result in the profession including a large body of the not-so-skilled.

That professional remuneration is inadequate is reflected in the situations vacant columns. In a typical week, out of ninety-one professional posts offered in *The Accountant*, only seventeen made any mention of salary. Where the advertisement related to senior or 'semi-senior' staff, only one out of ten gave a salary – £800 per annum!

The poor reward offered to senior employees is a slur on the profession for which an urgent remedy is needed.

Yours faithfully,

M. RICHARDS, B.COM., A.C.A.

London, WC2.

Audit Point: Conveyance of Land

SIR, – In reply to 'Bewildered', whose letter appeared in your issue of October 3rd, may I first assume that when he refers to the inspection of deeds by his firm, he means those which the company continue to hold by reason of the fact that a sale of only part of the land is in question.

A solicitor is not compelled by law to endorse the original conveyance with a note to the effect that part of the land has been sold, although such a method might well be regarded as necessary in a well-ordered practice.

Besides seeing a mere completion statement, an auditor could find out from the company's books or bank record whether his client had received any purchase moneys and he should require production of any correspondence or papers affecting the transaction. These, in all probability, would amount to some evidence that a conveyance had been handed over in exchange for payment of the purchase price.

In any case, however, the fact that there is a completion statement immediately puts an auditor on inquiry.

Should the proceeds of sale not have reached the company, an auditor is not barred from ascertaining whether moneys are held by its solicitors or from asking the purchaser's solicitors for a sight of the conveyance.

If your correspondent envisages a situation where, except for a completion statement, there is no other record or indication, then he should decline to close the audit pending disclosure. Either the required information would then be forthcoming or the auditor must seriously qualify his certificate and report to the directors (and perhaps the shareholders) accordingly.

Where an auditor merely checks title deeds, as such, by way of verifying the existence of assets for the purpose of the annual accounts, the fact that a sale unknown and in no way indicated to him had not been endorsed on a deed, would not render a diligent auditor liable to anyone.

Yours faithfully,

WILLIAM NEWTON, A.C.C.S.

East Molesey, Surrey.

Allowances for Machinery and Plant

SIR, – In Mr T. J. Sophian's article in the issue of October 24th, the last example given contains, I think, an error in the calculation of investment allowances. This should be based on cost, viz. 20 per cent × £1,500 = £300, under Finance Act, 1954, Section 16 (3) (*a*).

Yours faithfully,

London, EC3. A. W. BOWEN.

[Mr T. J. Sophian writes: I am obliged to your correspondent for pointing out the slip in the calculation of reliefs in the last example in this article. I agree that the relief in respect of the investment allowance would be calculated on the cost of replacement (£1,500) and not on the balance of £1,000. The reason for this

is that Section 16 (3) (*a*) of the 1954 Finance Act provides that references to *initial* allowances in Sections 281–297 and the Nineteenth Schedule of the Income Tax Act, 1952, are not to apply to *investment* allowances. Accordingly the direction in Section 296 (1) (*b*), Income Tax Act, 1952, which provides that where the cost exceeds the balancing charge, the *initial* allowance and *annual* allowance in respect of the new plant are to be calculated on the reduced figure, represented by the balance of the cost left after deducting the balancing charge, will not apply to the *investment* allowance.]

Calendar Variances

SIR, – Mr Seaman has dealt with calendar variance in one way, i.e. by eliminating it altogether (October 10th issue). But, by definition, calendar variance is the predetermined over- or under-absorption of fixed expense due to the incidence of holidays. (That presupposes that fixed expense flows and grows proportionately with time.)

Provided top-level executives, who are required to examine the profit and loss accounts each month, are educated up to calendar variance, no difficulty is experienced in digesting a big red loss in a holiday month, *because it is seen to be due to calendar.* But if management examines net profit first, and only then looks to see what the variances are like (and it must be admitted that many do), then I suggest the solution is to calculate calendar variance as before, but instead of charging it against, or adding it to, profit, post it to a suspense account.

By its definition calendar variance must be self-eliminating over the year. Therefore there will be no distortion to profit in total. But each month profit will be relieved of the red calendar variance it would suffer in a holiday month, and the black variance it would benefit from when no holidays intervened.

Furthermore, the calculations to arrive at calendar variance are essentially simple and can all be done before the year starts, i.e. immediately the yearly holiday programme is known and the budgets have been set.

Yours faithfully,

London, W1. JOHN B. CHARLES.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Abbott *v.* Philbin

In the Court of Appeal – October 6th, 1959

(Before THE MASTER OF THE ROLLS (Lord EVERSHED) Lord Justice SELLERS and Lord Justice HARMAN)

Income tax – Employment – Secretary of company – Scheme for purchase of shares in company – Payment for option – Application and payment for shares – Which year of assessment – Income Tax Act, 1952, Schedule E, paragraph 1.

The appellant was a secretary of a company which formed a scheme for enabling its directors and executives to obtain shares in the company. Under the scheme options to subscribe for shares, at a price ruling on the day of the grant of the option, were given to such directors and executives as were from time to time nominated by the managing directors. The options were exercisable within ten years, but they were not transferable, and they expired on the death of the option-holder or on the ending of his service with the company. On the exercise of the option the shares in question were to be allotted subject to the receipt of a form of application from

on the following day he sent in an application for an option in respect of 2,000 shares, and also sent his cheque for the £20. On March 4th, 1955, governmental consent to the issue of the shares was received, and on May 9th, 1955, the option-holders were informed to that effect. On May 6th, 1955, an option certificate was given to the appellant certifying that he had an option, in consideration of the payment of £20, to subscribe for 2,000 shares at 68*s* 6*d* a share. The appellant exercised his option on March 28th, 1956, in respect of 250 shares, and thereafter the certificate covered the balance of 750 shares. On March 28th, 1956, the price of the shares was 82*s* a share.

The appellant was assessed for 1955–56 under Schedule E in a sum which included a sum equal to the difference between the price of the 250 shares at 82*s* a share and their price at 68*s* 6*d* a share. It was contended on his behalf that the transaction of October 7th, 1954, vested in him a right of property in the shares forthwith; and that that right was an emolument of his employment assessable in 1954–55, and not in 1955–56 or otherwise. It was contended on behalf of the Inland Revenue that when the

FOR STUDENTS

REDEEMABLE PREFERENCE SHARES

Section 58 of the Companies Act, 1948, provides that a company limited by shares may, if so authorized by its articles of association, issue preference shares which are, or at the option of the company are liable, to be redeemed. Power to issue such shares may be contained in the original articles of association or may be added thereto by special resolution.

It will be noted that such shares may be issued with a definite undertaking to redeem them, or they may be redeemable only at the option of the company. In any case, Section 58 (2) provides that the redemption of such shares may be effected on such terms and in such manner as may be provided in the articles. The conditions for redemption may vary, therefore, and may, for instance, include:

(i) a right to redeem the whole or a part of the issue at a stated price after due notice (in the latter case the shares to be redeemed being fixed by drawings);
(ii) a right to redeem by purchase in the market.

The company might undertake to build up a sinking fund, by annual appropriations from profits, for the purpose of redeeming the shares. In *Re St James' Court Estates* ([1944] Ch. 6). it was held that shares already issued cannot be converted into redeemable preference shares as part of a scheme of arrangement, since the authority of Section 58 applies only to the *issue* of redeemable preference shares.

Authority for Issue

Clause 3 of Table A – the specimen set of articles of association comprising the First Schedule of the 1948 Act – empowers a company to issue redeemable preference shares with the sanction of an ordinary resolution, i.e. an ordinary resolution of the members in general meeting, but requires the terms and manner of redemption to be determined by special resolution *before* the issue of the shares.

The Eighth Schedule to the Act requires that there shall be specified in the balance sheet any part of the issued share capital that consists of redeemable preference shares, and the *earliest* date on which the company has power to redeem these shares. This represents an amendment of the corresponding provisions of the 1929 Act which required to be disclosed the date *on or before* which the shares were, or were liable, to be redeemed. It was presumably felt that disclosure of the earliest date for redemption was more practicable and useful than the disclosure of the latest date.

For instance, where a company issues preference shares which at the option of the company are redeemable at any time after a certain date, the earliest date for redemption is known, but the latest date of redemption is quite unknown.

Redemption of Redeemable Preference Shares

The conception of redeemable preference shares is quite a modern one, having been introduced into company law by the Companies Act, 1929.

Now one of the most important principles of company law is that the issued share capital of a company must be kept intact – that a company may not purchase its own shares, and that its issued share capital may be reduced only in the manner authorized by the Act. This is necessary, of course, to protect the interests of the company's creditors. The issued share capital represents a fund of assets, either in the possession of the company or which can be 'called up' from its shareholders, which cannot be repaid to the shareholders or from which liability they cannot be relieved until the claims of creditors have been met. It is true that the 1948 Act permits the reduction of a company's share capital, but this is subject to confirmation by the Court; creditors of the company are entitled to object, and the interests of dissenting creditors are protected. If the position were otherwise, a company would not find it easy to secure credit or obtain loans, since creditors would have no certainty that the company might not repay its share capital or cancel 'uncalled' liability, leaving insufficient assets to meet their claims.

Consequently, before the passing of the 1929 Act a company wishing to raise capital for a temporary purpose could not do so by an issue of shares, but would have had to issue redeemable debentures or raise some other form of loan.

The 1929 Act, however, introduced into company finance the conception of the redeemable preference share, and it will be apparent that, having regard to the necessity for protecting the security of the company's creditors, the redemption of such preference shares had to be made subject to certain important conditions. These conditions, now laid down by Section 58 of the 1948 Act, are more easily appreciated if the reasons for them are understood.

Protection of Creditors' Interests

The first provision to protect the interests of creditors is that

> 'no such shares shall be redeemed except out of profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption'.

It is obvious, of course, that where one issue of shares is redeemed out of the proceeds of another issue of shares, the security of the company's creditors has not been affected, since the cash available to meet their claims which has been paid away to holders of the redeemable preference shares is replaced by the cash received from the persons who take up the new issue of shares.

Where the redeemable preference shares are redeemed out of profits, however (i.e. from the company's cash resources representing profits earned in past years but not distributed as dividends), the assets available to meet the claims of the company's creditors would naturally be reduced and their security prejudiced, were it not for another provision of Section 58 which requires that:

(1) Where such shares are redeemed out of profits, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called 'the capital redemption reserve fund', a sum equal to the nominal amount of the shares redeemed.
(2) The provisions of the Act relating to the reduction of

the share capital of a company shall, except as provided by this section, apply as if the capital redemption reserve fund were paid-up share capital of the company.

Consequently, in the company's balance sheet, reserves available for the payment of dividends or the balance of profit and loss account will be reduced by an amount equal to the nominal value of the shares redeemed and this amount will be transferred to the special reserve known as the capital redemption reserve fund which can be reduced only as if it formed part of the paid-up share capital, and is not, therefore, available for the payment of dividends. The consequences of this are

(i) that assets of the company to the amount of the nominal value of the shares redeemed, which could previously have been paid away to the shareholders as dividends, are now 'frozen' in the capital redemption reserve fund; and

(ii) that this fund cannot be reduced except in the same manner as paid-up share capital, i.e. with the consent of the Court and with due regard to the interests of the creditors, as explained above.

Consequently, the security of the creditors is not adversely affected by the redemption of the redeemable preference shares.

Shares to be Fully Paid

Another condition, which applies whether the redeemable preference shares are redeemed out of profits available for dividends or out of the proceeds of a new issue of shares for the purpose, is that 'no such shares shall be redeemed unless they are fully paid'.

It must be remembered in respect of a company's issued share capital that the fund ultimately available to meet the claims of the company's creditors is represented by the nominal value of such shares, whether or not the shares are fully or partly paid. If the shares are only partly paid, then in a winding-up the balance of the nominal value of the shares could be called up, if necessary, to meet the claims of creditors. Consequently, if shares could be redeemed when only partly paid, the nominal value of the new issue of shares made for that purpose, or the amount of profit used for the purpose of redemption and transferred to capital redemption reserve fund, need represent only the paid-up value of the shares to be redeemed. For instance, to redeem a £1 share on which 10*s* has been paid, it would be sufficient to issue one 10*s* fully-paid share, or to transfer 10*s* from profits to capital redemption reserve fund. Consequently, the security of creditors would be adversely affected, since assets of 10*s* would be paid away, potential assets representing the 10*s* per share which could have been called up have been cancelled, and only 10*s* of this has been replaced by the new issue or by transfer to the capital redemption reserve fund.

The condition that the shares must be fully paid before redemption ensures that the fund paid away or cancelled is replaced by an equivalent fund, and the interests of creditors are fully protected.

Miscellaneous

Where preference shares are redeemable at a premium, the premium must be provided out of profits, or out of the company's share premium account, if any, before the shares are redeemed. It will be remembered that by Section 56 of the Companies Act, 1948, share premiums must be transferred to a special share premium account and, with the exception of certain permitted uses, can be used only as if they formed part of the company's paid-up share capital. One of the permitted uses is to provide any premium on redemption of redeemable preference shares or debentures.

By Section 58 (3) of the Act, the redemption of preference shares is not to be taken as reducing the company's authorized share capital. This subsection overrules the decision in *Re Serpell & Co Ltd* ([1944] Ch. 233) to the effect that where redeemable preference shares are redeemed, they cease to form part of the authorized share capital.

Where, in pursuance of Section 58, a company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to the nominal value of the shares redeemed or to be redeemed as if those shares had never been issued, and accordingly the share capital of the company shall not for the purposes of any enactment relating to stamp duty be deemed to be increased by the issue of shares in pursuance of this subsection (Section 58 (4)). That is to say, capital duty on the original shares shall not again become payable on the new issue.

Where such a new issue is made before redemption, exemption from capital duty obviously implies a corresponding duty on the part of the company to redeem the original shares, and Section 58 (4) goes on to provide that where the new shares are issued *before* the redemption of the old shares, the new shares shall not, so far as relates to stamp duty, be deemed to have been issued in pursuance of this subsection unless the old shares are redeemed within one month after the issue of the new shares.

By Section 58 (5) the capital redemption reserve fund may, notwithstanding anything in the section, be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully-paid bonus shares. The effect of this, of course, would be merely to convert a capital reserve into share capital.

Section 58 requires that the provisions of the Act regarding reduction of capital shall apply to the capital redemption reserve fund. Where the fund is no longer represented by available assets then there would appear to be no difficulty in writing off the lost assets out of the fund. If it is desired to refund to members part or the whole of the fund as being in excess of the company's requirements, however, the position is not so clear since it may be necessary to determine the precise rights of the various classes of member to share in the fund.

Where the terms of issue of redeemable preference shares require the company to redeem by a definite date and the company fails to do so, the shareholders remedy is not certain, but presumably they could proceed against the company to enforce redemption or secure its compulsory liquidation.

The chief advantages of an issue of redeemable preference shares compared with an issue of debentures appear to be that the holders of such shares do not enjoy the rights of debenture-holders:

(1) to require payment of interest, whether or not the company is earning profits; or

(2) to enforce the security on the company's assets in case of default.

NETHERLANDS ACCOUNTANTS' CONFERENCE

COMPANY MANAGEMENT WITH TWO BOARDS

The relationship between the two boards of Dutch companies, the board of full-time managing directors and the board of part-time *commissarissen*, and between the boards and the auditors was discussed at the recent annual year-day conference of the Netherlands Institute of Accountants held in Scheveningen.

The President of the Netherlands Institute, Professor Dr A. Th. de Lange, was in the chair at the conference sessions in *The Kurhaus Hotel*. Accountants from Belgium, Denmark, Finland, France, Germany, Great Britain and Norway were present, together with some five to six hundred members of the Netherlands Institute, as well as representatives of the Dutch Government, provincial and other authorities, the universities and the professional and business life of Holland.

Among the guests present were a member of the Council of State, Meester W. F. Schokking, and Dr Kortenhorst, president of the Second Chamber of the States-General.

Representatives of Other Countries

Accountancy bodies in other countries were represented as follows:

The Institute of Chartered Accountants in England and Wales by the President, Mr Charles U. Peat, M.C., M.A., F.C.A., with Mr Alan S. MacIver, M.C., B.A., Secretary of the Institute; The Institute of Chartered Accountants of Scotland by Mr Thomas Lister, M.A., C.A., with Mr E. H. V. McDougall, Secretary; and The Association of Certified and Corporate Accountants by Mr William Jackson, F.A.C.C.A., with Mr F. Cameron Osbourn, M.B.E., B.A., LL.B., Secretary.

The Institut der Wirtschaftsprüfer in Deutschland by Dr Wilhelm Elmendorff, with Dr Wilhelm Dieterich; the French Ordre National des Experts-Comptables et des Comptables Agréés by Monsieur André Robinet, with Monsieur Bernard Gournay, Treasurer; the Société des Experts-Comptables Français by Monsieur Justin Alexandre; the Collège National des Experts-Comptables de Belgique by Monsieur André Defat; the Danish Föreningen af Statsautoriserede Revisorer by Mr Ejnar Fryd; the Finnish KHT-Yhidistys – Föreningen C.G.R. by Mr Börge Forsström and Mr Veli Colérus; the Norges Statsautoriserte Revisorers Forening by Mr Thomas Kjeldsberg, with Mr Leif Leo Östbö, Secretary of the attached Servicekontor.

Mr Douglas A. Clarke, LL.B., F.C.A. was also present as the guest of the Netherlands Institute.

The President, Professor Dr A. Th. de Lange, opened the conference and introduced the representatives of visiting countries briefly in their own languages, the representatives of the Scandinavian and Northern countries being addressed in English. Apart from these introductions, all proceedings were in the Dutch language.

Statutory Regulation of the Profession

In his opening address, the President said that on previous year-days reference had been made to the plans of the Government to bring about a statutory regulation of the accountant's profession. Recently, a Bill has been introduced into the States-General drafted so as to take account of the actual development of the profession in Holland. At present the use of the designation of 'accountant' is entirely free, and under the title of 'accountant' practice can be at widely different levels comprising the most diverse types of work. With many who hold themselves out as accountants the proper function of the accountant in auditing, management accounting and business economics is submerged in a multitude of activities that cannot be described as accountant's work at all and are even detrimental to it. The different levels at which accountancy is being carried out has made the Legislature conscious of the need for a law giving the business community an indication as to which of the users of the professional designation of 'accountant' restrict themselves to their profession and practise it at the requisite level. Upon those persons the legislator intends to confer the exclusive designation of 'register accountant'. It has given the Institute great satisfaction to see that the explanatory memorandum to the Bill gives evidence of the realization that for the exercise of the accountancy profession to its full extent, the requirements of expertness must not be fixed lower than those required at the level of the accountancy examinations as now taken within the framework of university education and the corresponding examinations of the Netherlands Institute.

In the meantime the work done within the Institute in the interest of good professional practice is constantly progressing. The President continued:

Management Accounting

'From among the results of the activities of the committees engaged in this work I may mention the introduction of a new study programme for one of the principal branches of the profession, with a change in name from methods and systems (*Inrichtingsleer*) to management accounting (*Leer van de Administratieve Organisatie*). This change in name is the outward sign of an evolution which has been going on for a considerable time and will no doubt continue. It is an accepted principle from of old that the auditing function can be performed well only if there is a well-developed system of accounting. For this reason the auditor formulated definite requirements for the set-up of the accounting system, thus exercising influence on it, and this has not been changed by the above development on this professional subject. Since, however, the accounting system is so closely bound up with the internal organization of the business, and as a method of communication and as a source of information, it has become a prerequisite for good management, the question arises whether the management of the business will not also expect the efficiency of the accounting system to be checked from this point of view. It would lead me too far to attempt to answer this question, but I do think it is a fact that the significance of the development from methods and systems to management accounting reaches farther than the drawing up of a study programme.

This interweaving of the problems of accounting and of business organization demands of the accountant an increasingly deeper orientation in the field of internal business organization. This has given rise to an activity of another study committee of my Institute, which has led to the organization of a series of lectures dealing with the internal organization of businesses.

'The very great interest shown by the members of the

Institute in these lectures is an indication of the great significance of this subject for the accountancy profession, and it is also a spur to keep the initiative and to advance further.

Liberalization of Free Professions

'The activity of the European Economic Community for the implementation of the Convention of Rome has confronted the Institute with the fact that the Directorate-General of the Internal Market has begun the liberalization of the free professions within the six member countries, with the accountancy profession. In order to ensure that the voice of the Dutch profession in the deliberations of the committee of government experts formed within the E.E.C. will not be lacking, the Institute has informed this committee of its views concerning the main lines and the limitations of the liberalization of the profession. The circumstances that the Netherlands has no discriminating provisions against foreign subjects in the field of accountancy, and that the Netherlands Institute of Accountants has always defined the demarcation line with reference to non-member accountants on the basis of professional ability and level of exercising the professional function has given the Institute an opportunity to plead that the liberalization be carried out in accordance with these principles.'

The *Commissaris* in Dutch Companies

Meester H. Albarda, President of the Central Organ for Foreign Economic Relations and a director of the Nederlandse Handel Maatschappij, then spoke on the development of the functions of the *commissaris* in Dutch companies.

It is customary in Holland for companies to have two separate boards, both appointed by the shareholders. The board of directors is formed of full-time managing directors or general managers constituting the top management of the company, with full capacity to act in the ordinary course of business and with power to bind the company. It is also customary, under the constitution of a company, to have a second board of part-time *commissarissen*, originally appointed as representatives of the shareholders to supervise the directors but now with a more positive role as advisers.

Meester Albarda referred to the benefits brought to a company by its board of *commissarissen* through their contacts, their experience in other companies and their advice to the full-time directors. The stronger the board of full-time directors, the more benefit can be derived from the board of *commissarissen*: a weak board of directors, not working well together in unity, cannot consult so freely with the part-time board of *commissarissen*.

In addition to their advisory function the *commissarissen* can be appealed to and can intervene if there arises a serious difference of opinion or conflict among the full-time directors, or if a conflict arises between a section of the shareholders and full-time directors. In these and other ways the board of *commissarissen* has relations with the board of full-time directors, with the shareholders and also with the auditor of the company whose professional work now overlaps with the traditional task of the *commissaris* to supervise the balance sheet and profit and loss account.

As the *commissarissen* are appointed by a general meeting of the shareholders, it has frequently been stated that the primary duty of the *commissaris* is to look after the interests of the shareholders; but Meester Albarda, with his many years' experience as a *commissaris* of leading Dutch companies, considers that the interests of shareholders may often conflict with the interest of the company. Some shareholders may have their main interest in the stock exchange price of the shares and the *commissaris* must have in mind the interest of all the shareholders. Meester Albarda considers the primary task of the *commissaris* is to ensure that the affairs of the company are carried on in a way that will not jeopardize the continuity of the undertaking.

Although the responsibility for direction of the company remains with the board of full-time directors, the board of *commissarissen* through supervision, advice, and the settlement of differences can help the business to bloom and grow.

The *Commissaris* and the Auditor

Meester Albarda referred to the closer co-operation between the board of *commissarissen* and the auditor. Though the testing and supervision of the annual accounts is traditionally a responsibility of the *commissaris*, the final expression of opinion on the accounts remains the responsibility of the auditor. The advisory function of the *commissaris* was now supplemented more and more by the advisory function of the auditor or public accountant when consulted on management matters.

Meester Albarda then discussed the recent report of the Wiardi-Beckman foundation which proposed that a board of *commissarissen* should have three groups of members, one-third representing the shareholders, one-third representing the Government and one-third representing the employees. As these three groups often have contrary interests, there seemed a danger of the company having a divided board, although similar proposals were being carried out in Germany. If legislation were to be considered, the speaker suggested that it should be laid down for all companies that the board of *commissarissen* should be charged with the supervision of the preparation of the annual accounts; with supervision to ensure that the manner of managing the company does not jeopardize the continuity of the enterprise; and to empower *commissarissen* of large companies to appoint small committees of their number to carry out their duties.

Dr Engineer F. Q. den Hollander (formerly president-director of the Netherlands Railways and now *commissaris* of the Nederlandse Handel Maatschappij and president of the Netherlands Employers Federation) expected fatal consequences if the Wiardi-Beckman proposals were ever realized. A *commissaris* was chosen for his capacity and for his ability to form part of a harmonious committee. The members of the board of *commissarissen* should keep the interest of the enterprise foremost and not the interests of the groups they represented. Although legislation was deprecated, Dr den Hollander said these proposals would be studied from the employers' point of view.

Meester M. P. L. Steenberghe, formerly Minister of Economic Affairs and now *commissaris* of the Royal Dutch Rotterdam Bank and other companies, was in general agreement with Meester Albarda. In co-operation with the full-time directors, tact was, in his experience, of paramount importance for the *commissaris*. Although the auditor has more to do with the board of full-time directors, there is a more important bond between the auditor or accountant and the board of *commissarissen* when giving advice to the board of full-time directors. He considered that the task of the

commissaris was to foster the interest of the whole undertaking with some emphasis on the interests of the shareholders as the other groups (Government and employees) already have plenty of defenders. As to the size of committees of *commissarissen*, he believed in a number between three and seven. There should be an age limit for *commissarissen*, who should be active, able to keep pace with a quick development of ideas and have good judgment.

Advisory Function of the Public Accountant

For the afternoon session of the conference Mr R. Besançon (a former President of the Netherlands Institute) had prepared a paper on the advisory function of the public accountant, and Prof. Dr. de Lange introduced a panel of accountants under the chairmanship of Mr Bakker, honorary secretary of the Netherlands Institute and member of its Council.

Mr Besançon recalled that in 1932 Professor Limperg had referred to the function of the accountant in relation to the expectations of the business world and to the concrete tasks that he must carry out in order to fulfil his function.

The need for advice arises during the process of making a decision. To decide is to make a purposeful choice between alternative possibilities: first, the purpose must be clearly recognized and formulated; then the alternative possibilities, the ideal and the realizable possibilities, must be traced and compared. It is in the various phases of this process that the need for expert advice arises.

The adviser should beware of taking the decision himself, since that is the manager's task. He should bear in mind the limitations of his advisory function and only aim at amplifying the insufficient knowledge of the person who takes the decision or of a group of persons who, after discussion and argument, reach a collective decision. The accountant-adviser must be able to apply his expert knowledge and impartiality gained in the exercise of his profession of auditing.

No audit of the accounts can be carried out without a profound study of the accounting organization and a wide experience of practical application. For an audit, it is not necessary that the expert knowledge of the public accountant should include all techniques; but it is necessary that he should have a thorough knowledge of fundamental principles and of the general characteristics of the methods and aids that are available. On internal check – the whole system of built-in safety measures – the accountant should be fully competent and he should also be expert in costing and budgeting and in taxation questions.

What possibilities are there in general for a public accountant to give advice? There are two aspects of his auditing function which are of the greatest importance: his knowledge of the business acquired in auditing the business year after year; and his impartiality and independence.

The general knowledge of the public accountant can be used to advise where a specialist should be brought in, and often the best solution is for the internal accountants, the specialist and the public accountant to work together. The public accountant can help the specialist through his knowledge of the history of the client's business and in after-care when the specialist has left.

Management will often need the judgment of someone who, by virtue of his expert knowledge, is capable of grasping the problem in broad outline and who, owing to his unbiased approach, can view the problem and the interests involved with sufficient detachment.

Risk of Collision with Auditing Function

Is there a risk of collision between the auditing and the advisory functions of the public accountant?

Through giving advice, the policy of the management is influenced and the accountant has an interest in the favourable presentation of the result of his advice and may become less open-minded. If the public accountant were no longer free and open-minded in his auditing, a collision between the two functions would have occurred and the advisory function must give way. If the public accountant should go so far as to take part in the management, he would be looked upon as no longer impartial in his auditing function. This is a problem of independence with which the public accountant is familiar and it is not confined to the giving of advice.

Mr Besançon's address was then discussed publicly by the panel of accountants, some members of which considered that the giving of advice did not involve responsibility for the decisions taken by the management or for the consequences of the decisions.

Conference Dinner

The conference dinner, with the President, Prof. Dr A. Th. de Lange in the chair, was attended by the visitors from abroad, members of the Netherlands Institute and their ladies. Mr Neperius proposed the toast of the Dutch guests and those, including the Ladies' Committee under Mevrouw van den Bosch-van Douwe, who had worked together to make the day so successful. The representatives of other countries were addressed by Mr E. Van der Horst. Speaking in English, French, German and Flemish, he said that Holland wished to receive her guests as she received water from neighbouring countries – in rivers unhindered by natural frontiers.

Replying on behalf of the foreign guests, Mr Thomas Lister referred to the current trade grouping of Europe into two bodies of six and seven countries and the difficulties in removing barriers between the two groups. He recalled that Mr Klerekoper had presented a paper at the recent summer school of the Scottish Institute.

Mr Diephius thanked Dr de Lange both for his work that day and for the Netherlands Institute generally. In his reply, the President said the foundation of all their work over more than sixty years was their will to work together; and their Institute had the great blessing that the members and particularly the young men were ready to help the work. The new statutory regulations of the profession would bring them new tasks of organization. He concluded with thanks to all who had been responsible for the excellent organization of the conference.

On the following day the foreign guests were invited by Meester A. Th. E. Kastein and other members of the Netherlands Institute to view the vast constructional site near Hellevoetsluis in preparation for the heavy sluices across the Haringvliet seaway; the scale of this work was indeed impressive and it formed only one part of the Delta plan for a sea-wall across the estuaries and islands.

AGE OF RAPID CHANGE

INSTITUTE PRESIDENT'S REMARKS AT HULL DINNER

We live, all of us – industrialists and professional men – in an age of rapid change – with the accent on management, said Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants held in Hull on October 30th.

We also live in the age of the expert, who can be defined, he added humorously, as 'the man who avoids small mistakes as he sweeps on to a grand fallacy'. The expert, said Mr Peat, usually surrounds himself with mysticism and concocts a strange vocabulary which the man in the street cannot understand. He went on:

'A plague upon these false prophets. What we want are well qualified chartered accountants who, with a good background and a sound foundation, can advise their clients, great or small, on how to produce or manage their affairs with the greatest efficiency and the least waste.

Accountants' Independence Essential

'We are entering on, and indeed are already in the midst of, a period of steadily increasing integration of industrial activities. The threat of further nationalization, direct or indirect, has receded, and in fact may be happily interred, but we shall always have our present nationalized industries and services, and I think, by straightforward merger or the technique of take-over bids we shall have an ever-growing number of powerful combines.

'In all cases of nationalized industries, services, or even local authorities, I believe the advice of an independent accountant is essential, and without complete independence I believe the services of an accountant are of negligible value. In the case of company audits the battle rages as to whether legally the auditor is the employee or the officer of the company, but irrespective of the label which is attached to him, an auditor's services to the shareholders will be useless unless he is independent and free to express his criticisms of the accounts, without fear or favour. The freedom of our profession, and especially of our Institute, is something which we have always fought for. We ourselves want to be the judge of our training, and discipline and, unlike some other bodies of accountants abroad, we want to be untrammelled by Government interference or control, and I believe it is in the best interests of the community that this should be so.

Advice on the Nationalized Industries

'Sir Harold Howitt and Sir Thomas Robson have twice given evidence before the Select Committee on Nationalized Industries and they advocated that to assist in keeping the affairs of nationalized undertakings under review, greater use should be made of the services which independent accountants are so well fitted to provide. One way in which this could be done would be for their services to be used to assist the parliamentary committee responsible for reviewing the nationalized industries. Another way would be to require the auditors of nationalized industries to make supplementary reports on financial matters which would not normally be dealt with in their reports as auditors.

'I gather that there is a chance that the advice tendered by these eminent colleagues of ours is not, in fact, going to be implemented; all of us will be sorry if this is the case. The set-up of a nationalized industry must be regarded as in many ways cumbersome, unsatisfactory and very subject to Parkinson's law.'

In conclusion, Mr Peat emphasized his belief that the chartered accountant must devote himself, in an ever-increasing sphere, to perform a duty to the community as its impartial and independent adviser.

Proposing the toast 'The Institute of Chartered Accountants in England and Wales', Lord Middleton, K.G., M.C., T.D., L.L., LL.D., J.P., Chancellor of Hull University, said he knew of no profession which had a higher reputation of efficiency and equity than that of accountancy. He paid tribute to the high standards set by the Institute, to which end he added: 'You torture your young with constant examinations!' One other service which accountants could give the public and the country, he said, was the provision of recruits to the Territorial Army. They were woefully short of young officers and he asked accountants to encourage the profession's young men to join the T.A.

Mr K. P. Helm, F.C.A., President of the Society, proposed the toast 'Our Guests' and expressed regret that the Lord Mayor, Alderman T. Wray, could not be present owing to indisposition.

Mr H. M. Loncaster, T.D., President, Hull Incorporated Law Society, responding, described accountants as 'these Wizards of Oz'. Even the dinner had been prepared like a balance sheet, for, he added, 'everything was according to plan'.

The Company

The dinner was held in the Guildhall, Hull, with the President of the Society, Mr Helm, in the chair. Among those present were:

Messrs W. M. Allen, B.A. (*an Assistant Secretary of the Institute*); Henry Bailey, A.C.A. (*President, Hull and District Chamber of Trade*); Alderman H. Fairbotham, J.P. (*Chairman, Hull Corporation Property and Bridges Committee*); Messrs E. Myles Garner (*President, Great Grimsby Incorporated Chamber of Commerce and Shipping*); J. Haydon W. Glen, LL.B. (*Town Clerk*); E. D. Gosschalk (*Registrar of County Courts*); Judge Norman Harper (*Hull County Court Judge*).

Messrs Thornton Ibbotson (*Chairman, National Farmers Union, Yorkshire (East Riding) County Branch*); H. C. Jephcott, F.C.I.S. (*President, Hull and District Branch, Chartered Institute of Secretaries*); Dr Brynmor Jones, PH.D., SC.D. (*Vice-Chancellor, University of Hull*). Messrs D. N. O'Sullivan (*Stipendiary Magistrate of Kingston upon Hull*); C. H. Pollard, C.B.E., F.I.M.T.A., F.S.A.A. (*City Treasurer*); P. Stanley Price, Q.C. (*Recorder of Kingston upon Hull*); G. E. Sanderson (*President, Hull Incorporated Chamber of Commerce and Shipping*); C. M. Strachan, O.B.E., F.C.A. (*a member of the Council of the Institute*); H. J. Steiger (*Sheriff of Kingston upon Hull*); The Right Rev. G. F. Townley, M.A. (*Bishop of Hull*); Mr W. H. Webb, A.A.C.C.A. (*President, Hull and District Society, The Association of Certified and Corporate Accountants*); together with the Presidents of other district societies of the Institute.

ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

FORTY-SECOND ANNUAL DINNER

The chartered accountant's was the most useful professional qualification for any young man to have said the Rt. Hon. Mr Justice Salmon, principal guest at the forty-second annual dinner of the Association of Scottish Chartered Accountants in London, held at *The Savoy Hotel*, on Monday evening.

Accountancy and the Law

Proposing the toast 'The Institute of Chartered Accountants of Scotland', Mr Justice Salmon said the great professions of accountancy and the law were closely linked.

'You must forgive me', he said, 'if I think that the Bar is still the most fascinating profession of all, but I must confess that the most useful professional qualification for a young man to have is yours and it is well worth the great labour it takes to attain it.

'Yours, Mr President, is a most wonderful calling. When the young man attains this qualification he has a wonderful profession open to him. And that is not all because we would be hard put to it, would we not, to find any first-class industrial concern today that did not have a chartered accountant on the board of directors, if he is not indeed running the concern.

'One great advantage of your profession is that as soon as a young man has qualified, if he is any good he is able to earn a reasonable living. . . . Alas, the same does not apply to the Bar. Year after year we are losing a number of very promising young men who just cannot afford to wait. I am happy to think that steps are being taken to remedy that unfortunate position.'

Accountants included law amongst their studies and he hoped they had found it was an advantage. Unfortunately, for the Bar, accountancy was not included in the syllabus. He wished it was an optional subject.

'It is an enormous advantage to be able to find your way about a balance sheet or a profit and loss account. It must be most disconcerting never to know whether to look on the left or the right and to be continually surprised to find a trading loss included amongst the assets!' (*Laughter.*)

Association's Early Foundation

Replying to the toast, Mr Thomas Lister, M.A., C.A., President of The Institute of Chartered Accountants of Scotland, said the Association of Scottish Chartered Accountants in London was formed in 1898, and as an Institute they owed much to their members south of the border.

The Institute was looking forward. Their new scheme of examination and training would come into effect in 1960. They believed it was sound, but its potential would only be converted into achievement by a great deal of work and full co-operation on the part of teachers, examiners, masters and apprentices.

Early this year, on the advice of its taxation committee, the Institute's Council made recommendations to the Chancellor of the Exchequer, including the somewhat controversial proposal that income tax Schedule A should cease to be levied on owner-occupied houses on the ground that it was illogical to single out for taxation the enjoyment of one particular form of property. Unfortunately, 'that recommendation, as all owner-occupiers are aware, was not accepted', said Mr Lister.

Companies Act Review

In the Queen's speech to Parliament last week, he recalled, it was stated that the Government were to initiate an inquiry into the working of the Companies Act. Since the Consolidation Act of 1908, there had been little piecemeal legislation but there had been two major Acts based respectively on the recommendations of the Greene and Cohen Committees.

'Both, I think, have stood the test of time well on the whole. The Cohen Committee sought to hold a fair balance and not to make life unduly hard for honest company directors – the vast majority – merely in order to close loopholes for the less scrupulous, unless there was ground for thinking those loopholes would be used. I would venture to express the hope that in the new inquiry to be made, a similar principle will be followed.'

The toast of 'Our Guests' was proposed by Mr J. S. Wilson, C.A., Convenor of the London Local Committee, in the chair, and Mr C. U. Peat. M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, replied. Scottish hospitality, said Mr Peat, was renowned for its liberality, warm-hearted affection and for its generosity in every respect.

'You and I, Mr President, are in continuous contact with each other trying to advance the techniques and the arrangements for our great profession together.'

Such occasions as these, he added, engendered confidence and a sense of union, 'without which our joint efforts for the steady improvement of our profession must be stunted'.

Official Guests

Among the guests there were:

Mr W. Nicol, C.A., F.C.C.S. (*Chairman, Association of Scottish Chartered Accountants in the Midlands*); Mr R. J. W. Stacy, C.B. (*Under-Secretary, Insurance and Companies Department, The Board of Trade*); Mr A. West, F.I.M.T.A. (*Vice-President, The Institute of Municipal Treasurers and Accountants*); Sir Cecil Crabbe (*Chief Registrar of Friendly Societies*); Mr T. D. Hicks (*Vice-President, The Law Society*); Mr W. Jackson, F.A.C.C.A. (*President, The Association of Certified and Corporate Accountants*); Mr A. McKellar, C.A. (*Vice-President, The Institute of Chartered Accountants of Scotland*); Sir Alexander Johnston, K.B.E., C.B. (*Chairman, Board of Inland Revenue*); The Rt. Hon. Sir Reginald Manningham-Buller, Q.C., M.P. (*Attorney-General*); Sir Frank Lee, K.C.B., C.M.G. (*Permanent Secretary, The Board of Trade*); Mr E. Emmerson, F.C.W.A., A.C.A. (*President, The Institute of Cost and Works Accountants*); Mr W. E. Parker, C.B.E., F.C.A. (*President, The Chartered Accountant Students' Society of London*); Mr J. D. Russell, M.A., F.C.A. (*Chairman, London and District Society of Chartered Accountants*); Sir Charles Norton (*Solicitor to the Accountants' Joint Parliamentary Committee*); and Mr M. G. Wittet, A.C.A. (*Chairman, Association of English Chartered Accountants in Scotland*).

Notes and Notices

PERSONAL

MR JOHN F. MOSSOP, A.C.A., and MR JOHN A. WOOD, A.C.A., announce that as from November 1st, they have commenced to practise under the style of MOSSOP, WOOD & Co, Chartered Accountants, of 24 Bank Street, Carlisle.

MESSRS BRIGHT, GRAHAME, MURRAY & Co, Chartered Accountants, of 61 Portland Place, London, W1, announce that MR GORDON FENTON, A.C.A., ceased to be a partner in the firm with effect from November 1st, 1959.

MESSRS PASSER, MILLER & Co, Chartered Accountants, of 43 Portland Place, London, W1, announce that they have admitted into partnership MR JULIAN G. PANNAMAN, A.C.A. The style of the firm will remain unchanged.

PROFESSIONAL NOTES

Mr A. E. Ellison, J.P., F.C.A., chairman of Smith Bulmer & Co Ltd, has been appointed a director of the parent company, Parkland Manufacturing Co Ltd.

Mr David Evan Webb, B.A., F.C.A., has been appointed a director of Hickson & Welch (Holdings) Ltd.

Mr Alan King, A.C.A., assistant accountant of W. & R. Jacob & Co Ltd, has been appointed chief accountant of the company.

The Hon. J. W. Remnant, A.C.A., director of Australian, Mercantile, Land & Finance Co Ltd, has been appointed a director of the company's subsidiary, Las Cabezas Estancia Co Ltd.

Mr C. S. Hadfield, A.C.A., has been appointed group controller of the Royal Dutch/Shell Group of companies following a recent reorganization. Mr S. R. Harding, A.C.A., becomes deputy group controller and Mr H. V. G. Upton, A.C.A., has been appointed deputy treasurer.

Mr C. W. Dent, A.C.A., has been appointed vice-chairman of Bensons Confectionery Ltd.

Mr James A. Andrew, C.A., has been appointed to the board of McKechnie Brothers Ltd.

DOUBLE TAXATION: SWEDEN

Representatives of the Swedish Government have discussed with the United Kingdom Inland Revenue in London the making of a double taxation agreement on death duties and the revision of the existing agreement on income tax. Drafts have been agreed, but are subject to the approval of the Governments concerned.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A luncheon meeting of the London and District Society of Chartered Accountants will be held at the Connaught Rooms, Great Queen Street, London, WC2, on Monday, November 16th, at 12.30 for 1 p.m., when Sir Arthur fforde, M.A., chairman of the British Broadcasting Corporation, will be the guest speaker.

LONDON DISCUSSION GROUPS' JOINT MEETING

The City and Central London Discussion Groups of the London and District Society of Chartered Accountants are holding a joint meeting on Wednesday, November 11th, at *The Tiger Inn*, Tower Hill, London, EC3, at 6 for 6.30 p.m. The subject, 'The future organization of the profession', will be introduced by Mr Michael Nathan, F.C.A.

THE INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The Manchester Chapter of The Institute of Internal Auditors is holding its next meeting on Tuesday, November 17th, at 7 p.m. in the Exchange Club, 11 Fenwick Street, Liverpool, 2.

The guest speaker will be Mr W. Keetley, counting-house manager, of Lewis's Ltd, Liverpool, who will present a paper on 'Security control in a large store'.

Information regarding the activities of the Chapter may be obtained from Mr R. S. Rossiter, divisional internal auditor, Shell-Mex & BP Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

Birmingham Chapter

'Internal audit – a manager's view' will be the subject of a talk to be given by Mr F. Harvey, divisional general manager, West Midland Gas Board, at a meeting of the Birmingham Chapter to be held on November 12th at *The Cambridge Inn*, Cambridge Street, Birmingham, at 6.30 p.m.

An invitation is extended to interested non-members.

Newcastle Chapter

A meeting of the Newcastle Chapter will be held at 7 p.m. on November 19th, at The County Hall, Newcastle upon Tyne, when Mr R. Littlewood, B.A., divisional secretary, National Coal Board, Northern N. & C. Division, will speak on 'Logical thinking'.

Inquiries regarding membership and activities of the Chapter should be addressed to Mr J. R. Newsome, 19 Larchwood Avenue, Woodlands Park, N. Gosforth, Newcastle upon Tyne.

IRISH CHARTERED ACCOUNTANTS' DINNER

Mr D. McC. Watson, LL.B., F.C.A., President of The Institute of Chartered Accountants in Ireland, presided at a dinner of the Institute held in Dublin on October 28th. Proposing the toast of the Irish Institute, Mr C. U. Peat, M.C., M.A., F.C.A., President of the English Institute, referred to the friendly relations existing between the two bodies and, continuing, said:

'Mr President, you are facing similar problems to ours and through your Policy Committee you are considering all aspects of future developments. I understand your Education Committee has recommended major changes in the Institute's examination system; the most important being the substituting of yearly exams for the present Intermediate and Final exams. This recommendation has, I believe, been accepted by your Council and we shall hope to hear all about it in the near future.'

Mr Peat spoke of the committee set up by the English Institute to study education and training for the profession and said that at a recent meeting with students he found a strong feeling that the examinations should be spread more evenly over the period of articles and added that this suggestion would have the closest attention.

Among those present at the dinner were: Mr P. A. Brady, T.D., Lord Mayor of Dublin; Mr J. Lynch, Minister for Industry and Commerce; Mr E. C. Micks, S.C., Chairman of the General Council of the Bar of Ireland and Mr J. E. Forde, President of the Belfast Chamber of Commerce.

SIR JAMES MARTIN LODGE
(formerly The Incorporated Accountants' Lodge)

The installation meeting of the Sir James Martin Lodge (formerly the Incorporated Accountants' Lodge), was held on October 27th, at Freemasons' Hall, Great Queen Street, London, WC2, when W. Bro. F. R. Marshall installed his successor, Bro. A. Armitt, as W.M.

W. Bro. A. Armitt invested the following officers: Bro. F. A. Roberts, *S.W.*; Bro. J. W. Pirie, *J.W.*; W. Bro. W. J. Crafter, *Treasurer*; W. Bro. A. S. Darr, *Secretary*; W. Bro. E. J. P. Garratt, *D.C.*; Bro. E. A. Woods, *S.D.*; Bro. L. J. D. Jones, *J.D.*; W. Bro. A. V. Hussey, *A.D.C.*; W. Bro. A. A. Garrett, *Almoner*; W. Bro. E. B. Trimmer, *Assistant Secretary*; Bro. E. J. Morris, *I.G.*; W. Bro. H. Rose, W. Bro. E. Downward, Bro. A. B. Sturgess, Bro. A. G. Hebbron, *Stewards*; W. Bro. A. C. Chitty, *Tyler*.

A very large number of guests were present, including the W.M. of the Chartered Accountants' Lodge and the W.M. of the Semper Vigilans Lodge. The address of the secretary of the Lodge is 5 Forest Close, Snaresbrook, London, E11.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Chartered Accountant Students' Society will be held during next week:

Monday, at the Institute: Whole-day course on limited companies. Lectures on 'Meetings of limited companies', by Mr F. A. Roberts, A.C.A.; 'Consolidated accounts', by Mr D. Rich, A.C.A.; 'The taxation of limited companies', by Mr J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S.; 'The historical background of the Companies Act', by Mr T. P. Curry, Barrister-at-Law.
5.30 p.m., at the Chartered Insurance Hall, 20 Aldermanbury, EC2: Mock company meeting.

Tuesday, 5.30 p.m., at the Institute: Speakers' course brains trust and commentary, by Miss H. M. Taylor, Principal, Abbey School for Speakers.

Wednesday, 7.30 p.m., at Westcliff-on-Sea: Lecture on 'Accountancy', by Mr Glynne Williams, F.C.A., F.T.I.I.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'Company law', by Mr P. W. Medd, Barrister-at-Law.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'Audit practice and methods', by Mr W. K. Wells, B.A., F.C.A., hon. treasurer of the Students' Society; and 'The law of banking', by Mr P. W. Medd, Barrister-at-Law.
7 p.m., at Chelmsford: Lecture on 'How a bank works', by Mr T. D. Lewis.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Tenth Students' Residential Course

The tenth students' residential course arranged by the South Eastern Society of Chartered Accountants was held at the Royal Pavilion, Brighton, from September 21st to 25th (Intermediate course) and October 5th to 9th (Final course). About 140 students attended, mainly from students' societies within the Society's area, which serves Kent, Sussex, Hampshire and parts of Wiltshire and Dorset. Several students journeyed from the Channel Isles to attend the course, and a number of London students were also welcomed.

The course was opened by Mr G. W. Davies, F.C.A., a vice-president of the Society.

On each of the Thursday evenings, dinners were held at the Royal Pavilion at which Mr W. T. Hunter, M.B.E., F.C.A., the Society's President, presided. Mr J. A. Jackson, F.C.A. and Mr J. E. Talbot, F.C.A., members of the Council of the Institute, were the principal speakers at the Intermediate and Final dinners respectively. The Society also welcomed Mr W. M. Allen, B.A., an assistant secretary of the Institute, to one of the dinners.

The high quality of the lectures and the formal and informal discussions which followed them, together with the increased number of professional lecturers

from the main accountancy correspondence schools who were present, made the course a most successful one.

It is felt by the organizers that considerably more students will wish to attend future courses, and it is hoped that their attendance will again be facilitated as much as possible by the very willing co-operation given by their principals this year.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society played its annual match against the London Solicitors at West Hill Golf Club last Saturday. West Hill is a very beautiful course and was seen at its best under the excellent weather conditions enjoyed throughout the day.

The teams consisted of four pairs each and eight foursome matches were played. The result was a win for the Chartered Accountants' Golfing Society by six matches to two.

The results were as follows (Chartered Accountants' names first):

Morning

M. T. W. Easby and H. Staines beat H. Meaby and B. L. Hutchins, 3 and 2.
J. R. Briggs and W. B. Henderson beat J. Guest and L. Perkins, 2 and 1.
M. A. P. Gay and H. W. Pitt lost to J. Marsh and W. O. Farrer, 3 and 1.
H. W. Claxton and J. H. Shaw beat E. A. S. Brooks and F. P. Martin, 4 and 3.

Afternoon

Easby and Henderson beat Meaby and Guest 1 hole.
Briggs and Staines beat Farrer and Perkins, 4 and 3.
Shaw and Pitt lost to Marsh and Brooks, 2 and 1.
Claxton and Gay beat Hutchins and Martin, 3 and 2.

HOCKEY

Chartered Accountants *v.* Law Society

A hockey match played on October 14th between the Chartered Accountants' Hockey Club and the Law Society resulted in a win for the Law Society by 2 goals to 1. The accountants made most of the running in the first fifteen minutes of the game, which was played in perfect weather, and were soon a goal ahead scored by Freer. Somewhat against the run of play Couper of the Law Society equalized. This goal spurred on the Law Society and thereafter their forwards became increasingly dangerous, Hopkin scoring from the right wing. The Law Society continued to attack vigorously and the pressure on the accountants' defence, in which K. Bines was outstanding, was relieved only by spasmodic raids.

The Chartered Accountants' team was as follows:

M. L. Pecker (Hampstead); M. J. Harding (Eastbourne); E. C. Harris (Potters Bar); J. D. Cucksey (Gerrards Cross); K. A. Bines (Bishop's Stortford); M. A. Charlton (Rickmansworth) (*Captain*); B. Symonds (Hawks); R. G. Pannell (Blackheath); Bipin Shah (Southgate); E. F. Freer (Cheam); B. E. Taylor (Bromley).

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

At a meeting of The Accountants' Christian Fellowship to be held at 6 p.m. on Tuesday, November 10th, in the Oak Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, EC2, Mr Arnold Aldis, F.R.C.S., of Cardiff, will speak on the subject 'Can I know God?' After the meeting there will be a short discussion on Bible references to points arising from the address.

SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF NOVEMBER 8TH, 1884

A Leading Article

ART OF NUMERATION.

The lecture on the Development of the Art of Numeration delivered by the President of the Manchester Society of Chartered Accountants, (Mr. EDWIN GUTHRIE) before that body on October 31st, and reported fully elsewhere, was characterized by an ability of no mean order, and the interest in the subject shown by those present was evidenced by the attention that was paid to the lecturer throughout. Beginning at "the origin of the idea of numbers" Mr. Guthrie took his hearers through the subsequent history of this most interesting subject, and showed the changes that had been introduced into our present system by the Assyrian, Egyptian, Hebrew, Greek, Roman and Arabic, or Hindoo methods, and so brought the subject down by a gradual incline to the numeration of the present day, and made also a few concluding observations on the necessity for a change in the present British system of coinage, weights and measures. The lecture was illustrated by diagrams showing the various Eastern symbols for figures and Oriental forms of Arabic numerals, and examples of the old style of computation, in addition, subtraction, and multiplication. There was also an interesting specimen of an old English account of the 15th century, showing the style of book-keeping in the "good old days." There were also exhibited sundry calculating machines, Algebraic tables (more ingenious than instructive or ornamental) and slide rules by various makers, forming altogether a collection of more than ordinary interest, and numbering about fifty instruments of different orders of merit. The lecture was not only instructive, but also most interesting, and we must congratulate the Manchester Society on having for its President a gentleman of Mr. Guthrie's ability. Whilst the Manchester accountants possess such presidents as the one who now rules their destinies there will be no fear of them losing their present position as the foremost provincial Society in the United Kingdom.

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

THE
ACCOUNTANT

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CONTENTS

Estate Duty Incidence

ESTATE duty legislation gives rise to disputes not only between taxpayers and the Inland Revenue, as to whether duty is payable at all, but also between the taxpayers themselves, as to how the burden is to be shared. Those who take upon themselves the task of drafting wills and settlements have to bear in mind not only the esoteric mysteries of equity draftsmanship, but also the vagaries of the rules which apportion estate duty among the various beneficiaries. Some very surprising results can be reached.

One fertile source of difficulty in relation to the incidence of estate duty is Section 14 of the Finance Act, 1894. It deals with property 'which does not pass to the executor as such', which is another way of saying 'property other than the deceased's own personalty in Great Britain'. Thus Section 14 applies to the deceased's own real property and also to property which is already settled at the time of his death, including, for instance, any property of which he was the life-tenant, or which was charged with a life annuity in his favour.

The person who, under other provisions of the Finance Act, 1894, is authorized or required to pay estate duty on that property and has in fact paid it, is entitled to recover 'an amount equal to the proper rateable part of the estate duty' from the person entitled to any 'sum' charged on the property. Section 14 makes it clear that this right obtains whether the 'sum' is charged as a capital sum, as an annuity, or otherwise. There has been a good deal of litigation as to whether or not the interest of a particular beneficiary is a 'sum charged' within the meaning of the section, and also as to what is the 'proper rateable part' in relation to that sum.

To be caught by Section 14 the sum must be charged 'by a disposition not containing any express provision to the contrary'. In other words, the will or settlement which provides for the sum may also provide for its freedom from contribution to estate duty. The question then arises as to the meaning of 'express provision'. These words were considered in *Re Smith-Bosanquet; Smith v. Smith-Bosanquet* (19 A.T.C. 405). A testator who died in 1907, i.e. after the passing of the Finance Act, 1894, left estate in trust for his son for life and thereafter on other trusts. The will also empowered the son to appoint, out of the settled fund, an annuity to the son's widow 'not exceeding in the whole' £2,000. When the son died the settled fund became charged to estate duty, on his death, at 32 per cent. The son, by his will, had appointed to the son's widow an annuity of £2,000 'free of all deductions except income tax and surtax'.

In proceedings between the beneficiaries, the main argument was as to whether the appointment was valid, or whether it was invalid as giving the son's widow more than the maximum provided for in the original testator's will. It was held that since the son's widow got no more than the £2,000 authorized by the first will, the appointment was not excessive. It was assumed that the words 'free of all deductions except income tax' constituted 'express provision to the contrary' within the meaning of Section 14 of the Finance Act, 1894. However, in 1952 doubt was cast on this assumption by THE MASTER OF THE ROLLS, in his judgment in *Re Keele Estates* (31 A.T.C. 314). In that case a testator who died in 1888 gave a beneficiary power to charge a settled estate with portions for his children, not exceeding £25,000 in all. In 1931 the beneficiary, in exercise of this power, directed the trustees

> 'to raise the sum of £15,000 clear of death duties (or such less sum as shall be the maximum principal sum chargeable by the appointor) . . .'.

Counsel for the person interested in the residue argued that the direction contained no 'provision to the contrary' within Section 14 (1), bearing in mind the words in brackets. It was further argued that if there was such provision it constituted an excessive exercise of the power. The ground for the second contention was that the estate duty rate applicable was so high as to reduce the £25,000 to less than £15,000.

Counsel for the portioners, who was concerned to argue that the £15,000 should be paid in full, naturally relied on *Smith-Bosanquet*, and also on an income tax case which purported to follow it (*Re Sebright* (23 A.T.C. 190)). The Court of Appeal held that they were both distinguishable from the *Keele Estate* case.

THE MASTER OF THE ROLLS rejected the contention that here was an express provision to the contrary. He also held that in so far as the appointor purported to charge the settled property for a sum (inclusive of estate duty) exceeding £25,000, the appointment was inoperative. With all respect to the Court of Appeal it is difficult to follow where the distinction lies.

A new decision, *Re Lonsdale, deceased* (*The Times*, October 22nd, 1959), also by the Court of Appeal (affirming a decision of Mr Justice Vaisey on January 16th), has served to dissipate some of the confusion generated by the *Keele Estate* decision. Here again the will of a person who died before 1894 conferred a power of appointment which was exercised after estate duty had made its presence felt. There were in fact two such wills, one giving the sixth EARL OF LONSDALE power to appoint a jointure of £1,000 a year to his widow, the other giving him power to appoint to her a further £3,000 a year. By a deed made in 1923 he purported to appoint to his widow the two sums 'without any deduction (except for succession duty if any)'. The widow argued that this was an express provision to the contrary within the meaning of Section 14, and that such an express provision was within the power of the appointor, notwithstanding that, the original wills made no mention of estate duty since both testators died before 1894.

Against the widow it was argued that in view of the *Keele* case the words were not a sufficient express provision, and that, if they were, the appointment went beyond what the wills authorized.

In this case THE MASTER OF THE ROLLS said that *Keele* was distinguishable. In the first place it was concerned with portions and not with jointures. In the second place the appointment in *Keele* did not purport to invoke the dispensing words of Section 14 (1). In relation to portions, a calculation was made of a capital sum once and for all, whereas that method was not readily appropriate to a jointure. Further, it was impossible now not to say that one ground for the decision in *In re Smith-Bosanquet*, was that an appointment 'free of duty' of a jointure was effective as an indication of a dispensation under Section 14 (1).

The question to the Court was twofold: (1) Were the words of appointment in the deed of 1923 apt as indicating the dispensing provision of Section 14 (1)? The answer must plainly be in the affirmative. The next question was (2) Was such dispensation within the powers of the appointor? This was more difficult for the result might work unfairly in modern conditions. But here, too, the answer must be in the affirmative; if it was unfair, that must be attributed to the passage and chances of time.

Accordingly the widow was entitled to the £4,000 a year in full, without contributing anything to the estate duty charged on the fund out of which the £4,000 was paid.

Irish Tax Reform

THE basis of income taxation in the Republic of Ireland is still the British Income Tax Act of 1918, and therefore, notwithstanding the changes which have taken place in Ireland since 1922, it is not surprising that many people there consider that there is still room for reform. In February 1957 the Minister for Finance set up a Commission to inquire generally into the system, including its effects on the economy and the equity of the incidence of the taxes. With commendable speed the Commission has now issued its second report,[1] dealing with three separate topics: the principle of 'one taxpayer, one charge'; the administration of surtax; and the taxation of buildings and land.

The Irish Commission has had the advantage of reading the reports of our own Royal Commission where a great many matters were exhaustively dealt with. Moreover, it has proceeded on somewhat bolder lines. Everyone knows how bewildering income tax is to the layman; one has only to look at a typical notice of assessment to realize that. The Commission comes out firmly for the principle that each taxpayer should normally be sent annually a single composite statement of his total tax liability. It rejects the objections of the Irish Revenue Commissioners, notwithstanding that they point out that no less a person than SIR WINSTON CHURCHILL promised in 1927, when he was the British Chancellor, that in the following year he would make arrangements to enable the taxpayer liable to several assessments to receive a single demand, and to make payment at a single place. The Revenue Commissioners added laconically:

> 'Despite the Chancellor's announcement, the British Legislature does not yet appear to have given effect to this idea. It is not referred to among the recommendations of the British Royal Commission.'

Even though they viewed the principle of 'one taxpayer, one charge' with disfavour, the Revenue Commissioners, speaking through a special departmental committee which examined the matter, were in favour of the decentralization of surtax as a matter of administrative convenience and economy. The committee's report points out the historical reason for centralization, namely, that when British super-tax was introduced in 1909, returns of total income were a novelty and super-tax payers did not wish local offices to have knowledge of their total income. All that has, of course, disappeared; total income has to be declared to the local inspector if personal allowances are claimed. Although decentralization has not come to Britain, the Royal Commission said in its report that there was no objection to it. Certainly it would save a great deal of duplication. The Irish Commission has recommended that no separate return be required for surtax and that both assessment and collection be dealt with together in the local income tax office.

In the field of property taxation also, the Irish Commission has firmly grasped the nettle. It recommends the abolition of Schedule A and B assessments on land and buildings occupied by their owners and used for a trade, profession or vocation. Any rents or other income from such properties would be assessed under Schedule D. This would certainly save much work.

The Irish Commission also recommends that ground rents and head rents should not ordinarily be subject to deduction of income tax at the source; instead they should be assessed on the recipients direct, and not necessarily in the place where the property is situated. Where this course was impracticable or there was difficulty in collecting the tax, the expedient of deducting at source could be resorted to. This suggestion is only an application of the principle recognized here in the non-deduction of tax from small maintenance payments and building society interest.

As regards house property let for non-business use, the Irish Commission recommends assessment on the basis of net rent received, There is a proviso in the case of rent-controlled property and also a proviso for only gradual increase of the relevant assessments.

In its first report, published earlier this year,[2] the Commission recommended the introduction of pay-as-you-earn, but excluding farm workers, controlling directors, and employees with very heavy admissible expenses.

[1] Pr. 5119. Dublin: The Stationery Office, 4s 6*d*.

[2] Pr. 4891. Dublin: The Stationery Office, 5s 6*d*.

Exponential Smoothing

A NEW TECHNIQUE IN STOCK CONTROL

by ROGER SILK
Parts Division, Ford Motor Company Ltd

This article, by a methods investigator in the Ford organization, describes a mathematical technique recently developed in the U.S.A. based on the exponential law to forecast future demand and to determine safety stocks. It is already in use within some thirty large American companies

EVERY system of stock control, no matter how old-fashioned or how clumsy, sets out to achieve the best possible service to the customer and the lowest possible investment in stocks. It is a simple matter to achieve one at the expense of the other. Obviously customer service can be faultless if a business holds excessive stocks. On the other hand, the business can invest very little in stocks and repeatedly report to customers that it is out of stock. In the former condition capital is being needlessly absorbed by stock and in the latter condition business and goodwill may be lost. A well-run concern cannot afford either of these conditions and seeks to find a compromise.

Normally, minimum stocks are established on a fairly casual evaluation of delivery periods and usage with an equally casual addition for safety. Thus, if a commodity sells at about 100 units per month and is delivered to the store about once every three months, the storekeeper will reckon that he needs to order 300 plus a further 200 to be on the safe side. Order quantities are also 'off the cuff'.

If the sales manager complains because customers are not obtaining commodities when they require them, the minimum stocking quantities are raised for every item. This action will result in improved service but it has the immediate effect of tying up a great deal more capital. The chief accountant will object immediately he sees the stock turnover rate on the decrease and bring pressure to bear on the storekeeper. The storekeeper counters by reducing his order quantities, which will sooner or later reduce his stocks overall but at the risk of being out of stock again on many items. Back comes the sales manager and the whole cycle starts over again.

The Right Stock at the Right Time

These difficulties of store management have always been present in varying degrees, but by careful manipulation it is possible to minimize their effect. A close examination of the commodity sales, item by item, will give information upon which the right amount of safety stock, the right forecast of sales in the delivery period, the right quantity to order each time and the trend in the sales of the item, may be safely based. The results of such a study may indicate that for some items insufficient stock has been held, but that for most of the items, stocks have been excessive.

But to put this claim into perspective, the system which is advised will not be an end to *all* stock problems, neither will any other system. The store which never runs out of an item does not exist, and the storekeeper who has that performance as his goal will create an investment in safety stock out of all proportion with the gains which he accomplishes. The proper goal is a predetermined risk of failure rather than 100 per cent success.

The Economic Order Quantity

The first thing which every competent storekeeper should know is the economic order quantity for each item. This can be determined by reference to a chart or table drawn up specially to give this information, which does not require a great deal of research to compile.

Obviously fast-moving, high value items need to be ordered more frequently than slow-moving, low value items but the reasons for this may not be so obvious. To place a replenishment order costs money. It involves wages in the stock control department, in the buyer's office, in the store (receiving, inspection and racking) and in the accounts office (payables). It involves stationery, postage and probably telephone calls. All these costs are variable with the number of orders, therefore no allocation of fixed overheads should

be made. Each time an order is placed it involves the company in this expense, so that fewer orders of larger quantities will involve less expense than many orders of smaller quantities. To decide whether a given cost should be included, one should ask: Would this cost decrease if we placed fewer orders for larger quantities but kept the total quantity constant in the long run? If the answer is 'Yes', the cost should be included; if 'No', or doubtful, exclude it.

The costs of placing a replenishment order right through to the storing of the items in the racks, including an allowance for time wastage may reasonably amount to about £1. So that if, during the year, twelve replenishment orders are placed for one item the ordering costs will amount to £12; while, of course, the cost of only two orders will amount to only £2. This is all very well but the average stock held if only two orders are placed is six times greater than if orders are placed every month.

The Cost of Stock Possession

What is the effect of holding a high average stock? Holding stock costs money and much of this cost varies with the level of stocks. These costs include the return which the capital would earn from alternative uses. That is, if a substantial portion of the capital which is tied up in stocks could be released, to what alternative use would it be put, and how much interest would it earn? If it were 5 per cent, then to hold an average stock value of £1 would involve a 'penalty' cost of 1*s* per annum. But there is much more to be included. Some businesses are forced to keep stocks in outside rented warehouses because their main store cannot accommodate all the stock. If so, and if a substantial reduction of stock would result in the redundancy of the warehouses, the whole of this additional warehouse cost including transport must be included. Insurance of stocks must be included as premiums depend on the amount of stock held. The provisions made for obsolete and excess stocks must be included. To decide whether a given cost should be included, one should ask: Would this cost decrease if we held lower stocks but maintained the volume of shipments in the long run? Only if the answer is 'Yes' should the cost be included.

The total of these costs during a year may amount to approximately 15 per cent of your average stock value. An illustration of the effect of the interplay of these costs will probably be of assistance. Supposing item A sells at the rate of 1,000 per month and the cost is 10*s* each, i.e. a monthly cost of £500.

If ordered in batches of £125 the cost would be:

	£	s	d	
Ordering cost				
Four orders at £1 per order ..	4	0	0	
Average investment in stocks				
$\frac{£125}{2}$ =£62 10*s* at 1·25 per cent per month		15	5	
	£4	15	5	per month

If ordered in batches of £1,500 the cost would be:

	£	s	d	
Ordering cost				
One-third of £1 per order ..		6	8	
Average investment in stocks				
$\frac{£1{,}500}{2}$ =£750 at 1·25 per cent per month	9	8	0	
	£9	14	8	per month

If ordered in batches of £500, the cost would be:

	£	s	d	
Ordering cost				
One order at £1 per order ..	1	0	0	
Average investment in stocks				
$\frac{£500}{2}$ =£250 at 1·25 per cent per month	3	2	0	
	£4	2	0	per month

If ordered in batches of £250, the cost would be:

	£	s	d	
Ordering cost				
Two orders at £1 per order ..	2	0	0	
Average investment in stocks				
$\frac{£250}{2}$ =£125 at 1·25 per cent per month	1	11	0	
	£3	11	0	per month

Therefore this commodity costs less to market if it is ordered fortnightly.

Using the ordering costs and stockholding costs on which the above example was based, a table would show that commodities whose total cost per month ranged between £300 and £1,000 should, if possible, be ordered for delivery at the store twice a month. Those whose cost per month ranged between £100 and £200 should be ordered for delivery once a month and those whose cost was below £50 should be ordered every other month. For very slow lines on which only £10

or thereabouts is spent monthly, it would be economical to buy, say, twelve months' supply at a time.

Quantity Discounts

The device is somewhat complicated where discounts are offered for quantities in excess of the indicated economic ordering quantity. In this event it may be no longer economic to buy so frequently but be certain that it is, in fact, advantageous to exceed the calculated quantity. There is a useful method of ascertaining whether attractive trade discounts on bulk orders are worth seizing. This is done in the following manner:

Suppose in the example that the supplier offered a discount of 3 per cent if quantities of 5,000 units were purchased at one time. The cost per month would be:

	£	s	d	
Ordering cost				
One-fifth of £1 per order ..		4	0	
Average investment in inventory				
$\frac{£2,500}{2}$ = £1,250 at 1·25 per cent per month ..	15	12	6	
	£15	16	6	per month
Optimum cost as shown above	3	11	0	
Penalty cost of ordering increased quantity	12	5	6	
Saving				
£2,500 at 3 per cent=£75 for five months' supply=saving per month	15	0	0	
Net saving	£2	14	6	

However, even when it is found that it is, in fact, economic to buy the bulk quantity, it may be that there is insufficient space available to store it.

All that has been done so far is to determine ordering frequency. If it were known that the sales of item X over the next order/replenishment period of three months will be 1,200 units at £1 cost per item, arrangements should be made to deliver 200 units every fortnight.

Forward Provisioning

The next step to successful stock control is even more important than the determination of correct ordering quantities. It is concerned with the provision to the customer of the best possible service compatible with the right level of stock. Forecasts of demands in future months can be made on only one possible basis, and that is the pattern of demand in past months. Study the moving averages. Study any trends – some may be seasonal. Study the variability.

In the United States, the need for mathematics in good stock control has long been recognized. There is no call for advanced knowledge of mathematics to operate a system, although the foundations of the system have very often called for degree standards.

Here is an excellent method of application to fast-moving, high-value stocks (which quite likely are relatively few in number, and yet account for most of the business). Companies fortunate enough to be using electronic data processing machines could use the system with great advantage for every item marketed.

STAGE ONE: A NEW WAY TO OBTAIN A RUNNING AVERAGE

(*a*) Take an item (preferably one selling in large quantities and without any marked seasonal trend) and obtain the unit demands for each of the last six months. Find the average.

(*b*) When the demand in month seven is known, proceed as follows:
add one-tenth of the latest demand to nine-tenths of the average of the preceding six months. This provides you with the new running average.

(*c*) When the demand in month eight is known, repeat the process, i.e.
add one-tenth of the latest demand to nine-tenths of the last average.

And so on month by month.

In almost all cases it will be found that one-tenth is the best fraction of the latest demand to include in the new average; it will be found to effect a satisfactory compromise between a system which fails to recognize real changes and one which exaggerates their effect. Averages calculated in this fashion will be seen to follow a very much smoother line when plotted on a graph than a normal arithmetic running average over six months. When the system has been running for a year or so, a factor of one-tenth will actually be embracing as much as nineteen months' past demand history.

However, this factor may be increased either temporarily or permanently if it is felt that the running average is lagging behind demand too much.

The Trend in Demand

STAGE TWO: HOW TO DETECT TREND IN DEMAND

(*a*) At the start of the exercise regard trend as being non-existent, i.e. zero.

(*b*) Find the difference between this month's running average and last month's. If the latest average is

greater than the last, mark the difference with a plus sign. If it is less, mark the difference with a minus sign.

(c) In the first month of the exercise, take one-tenth of the difference and call it the trend.

(d) In the second and all succeeding months, take one-tenth of the new difference and add nine-tenths of the last trend, taking regard of the plus or minus signs. This is the new trend figure.

STAGE THREE: HOW TO FORECAST NEXT MONTH'S DEMANDS

To the latest running average, add:

$$\frac{\text{One minus one-tenth}}{\text{one-tenth}} \text{ times the trend}$$

An illustration of the process so far will assist.

Last six months' unit sales of item A are:
400, 250, 600, 580, 190, 430,
The average = 410
Sales in month seven are 270
Add 0·1 (270) to 0·9 (410) = 396
Sales in month eight are 330
Add 0·1 (330) to 0·9 (396) = 389
The difference between 410 and 396 is — 14
Take 0·1 (— 14) = — 1·4
The difference between 396 and 389 is — 7
Add 0·1 (— 7) to 0·9 (— 1·4) = — 2·0 approximately
Next month's expected demand is, therefore:

$$389 + \frac{1{\cdot}0 - 0{\cdot}1}{0{\cdot}1}(-2{\cdot}0) = \underline{\underline{371}}$$

A great benefit gained by this system is that instead of carrying six or ten or even nineteen months on record to strike a moving average, only two figures are needed, i.e. the latest demand and the last moving average. This is of enormous advantage to the electronic computer which needs to store the least information necessary to perform its functions.

The Lead-time

Having arrived at an estimate of next month's demand, it is now necessary to project this forecast over the order/replenishment period. This period covers the time which elapses from the placing of the order to the time of the delivery at the store. In America it has been felt that this period is not sufficient for reliable forward scheduling, and that the period should commence from the time of the decision to place the order and end at the time the ordered goods are racked and available for sale. Students of stock control in that country have called this period the 'lead-time'. (There is no reason for rejecting this theory or the name applied to the period.) Therefore, our forecast of demands must cover the lead-time. This may be one month or as much as six or seven months, but it must always be realistic, not theoretical. Assuming item A, for which the expected demand in month nine has already been calculated, has a lead-time of three months, the forecast of demand for that time is projected as follows:

STAGE FOUR

(a) Three times the calculated expected demand for the first month of the lead-time.

(b) To (a) add: $\frac{L(L+1)}{2}$ times the calculated trend, where L = lead-time.

The illustration is continued in the manner outlined below:

371 × 3	1,113
Add $\frac{3 \times 4}{2}$ (— 2·0)	— 12
Expected demand in the lead-time	1,101

It will now be seen that a running average of demand has been determined, a trend in demand has been detected – in this case a downward trend – and with a given lead-time a forecast of future demand during the lead-time has been made.

Be careful not to confuse lead-time with ordering frequency. Lead-time is mainly composed of the notice of delivery which the supplier requires. Deliveries may be made monthly yet several months' notice is given for each one.

Safety Stock

Hitherto the exercises have concerned themselves solely with cycle stock, that is, the stock which is continually on the move. It is imperative that each item must be cushioned against variability in demand and supply by a buffer or safety stock. Variability in demand is measured by the statistician through the standard deviation. This is arrived at in the following manner:

$$\sqrt{\frac{\Sigma\,(x - \bar{x})^2}{n}}$$

Where x = demands and n = number of demands in the run.

For the six monthly demands which are given above, $\bar{x}$ (i.e. the average of the demands) = 410.

The differences of each demand from the average are:
10, 160, 190, 170, 220, 20

The squares of these differences are:
100, 25,600, 36,100, 28,900, 48,400, 400.

The sum of these is 139,500

Divide 139,500 by 6 (number of demands) = 23,250

And the square root of 23,250 is 152

The standard deviation is then converted to a mean absolute deviation by the proportionality factor:

$\sqrt{2/\pi}$ or approximately 0·8

152 × 0·8 = 122.

This may have appeared complicated to some but it is only arithmetic and once the mean absolute deviation for an item has been determined, keeping it up to date is a relatively simple matter. The procedure continues as under:

STAGE FIVE

Find the difference between last month's calculation of expected demand for this month and this month's actual demand. Take one-tenth of this and add to it nine-tenths of the mean absolute deviation. The result is the new mean absolute deviation.

Example

Suppose the actual demand in month nine turned out to be 310. The expectation, calculated in the earlier example, was 371. The difference would be 61. To one-tenth of 61 should be added nine-tenths of the mean absolute deviation which can be assumed, for the purposes of illustration to have remained unchanged at 122. This gives a new mean absolute deviation of 116.

The standard deviation indicates that most of the demands will fall within the range 410 less 152 to 410 plus 152 or 358 to 562. This, however, is not good enough for the storekeeper. He requires to cover for more than most of the demands, so that he may choose to take twice the standard deviation or even three times, depending on the degree of service he requires to give the customer. The optimum will probably lie between the two, and as an example we may take 2·5.

The running record of mean absolute deviations, therefore, must first be converted back to standard deviations, which is accomplished by multiplying it by:

$$\sqrt{\pi/2} \text{ or } 1{\cdot}25 \text{ approximately}$$

Thus in the example 116 times 1·25 gives a standard deviation of 145.

This figure multiplied by 2·5 gives a product of 362.

Variable Supply Dates

So far, preparation has been made for variability in demand. It is now imperative that a provision for variability in supply should be made.

Chance variation of the lead-time is more likely to have something to do with the square root than with proportional variation. The probability of a one-month lead-time becoming two (i.e. one plus the square root of one) is likely to be similar to the probability that a nine-month lead-time will become twelve (i.e. nine plus the square root of nine). Therefore, the figure of 362 should now be multiplied by the square root of the lead-time (in this example three months) to provide for variability of supply dates, viz.:

$$362 \times \sqrt{3} = 626$$

This, then, is the correct amount of safety or buffer stock to be held during the lead-time to accommodate fluctuations in demand and supply.

The Monthly Line-up

The forecast of cycle stock plus safety stock over the lead-time thus amounts to 1,727 items. (This can be rounded off to 1,700 if desired.) This figure represents the MOST that can *reasonably* be expected to be sold during the next three months. Against this figure must be set the total of the available stock. If this is less than the provision for the lead-time, the difference is placed on order for delivery in the last month of the lead-time. Here is an example (remember that this exercise would be done *immediately* the total demand for last month is known):

Provision for the lead-time (three months)		1,700
Stock in hand at end of last month		700
		1,000
Delivery scheduled for this month	400	
Delivery scheduled for next month	300	
		700
Place on order for delivery in month three		300

Note. – Available stock is: stock-in-hand plus incomings already scheduled. In this case, 1,400 units.

The 'Pay-off'

This may appear to be an awful amount of work to do on one item but once it is set out in tabular form with one line for each month and one form per item for the bigger selling, high-value items, it is certain that the additional work will, once the system has got into its stride, show remarkable savings in stock investments. At the same time it will maintain and probably improve customer service. Many companies are already using similar systems, modified perhaps to suit their own particular requirements, to great advantage. Those with electronic computers are able to programme for every item sold, since the calculating speed enables them to treat items at the rate of hundreds per minute.

The two basic questions which continually confront the storekeeper have now been answered, viz.: when to order and how much to order?

It is possible that on some items it will be found that too big a cushion is being carried. This is because the variability of demand is decreasing and the weighting factor of one-tenth is not large enough to track the decrease quickly. This may be overcome by:

(*a*) a temporary increase in the weighting factor; or

(*b*) a temporary reduction in the number of standard deviations taken into safety stock.

There are formulas for these running repairs but they are beyond the scope of this article. Many good books on the subject of stock control are available, particularly in the United States, and companies alive to the utmost importance of correct stock levels are well advised to make a close study of the subject[1].

Store Control Efficiency

Lastly, a useful formula for measuring monthly storekeeping efficiency is given below. This embraces performances of sales, stock levels and the degree of customer service which are the three most vital facets of store control.

It is a method of measuring overall storekeeping efficiency and is based on the following facts:

(1) Inventory turnover rates and inventory levels tend to move in inverse ratios.

(2) Picking performances tend to move in sympathy with inventory levels.

(3) Therefore, inventory turnover rates and picking performances tend to move in inverse ratios.

(4) It follows that it is ideal for an upward movement in both turnover rate and picking performance to occur. (This is difficult, but by no means impossible, to achieve.)

(5) Because of this, it is permissible to chart overall efficiency on the combined movement of turnover rate and picking performance.

It is determined by the following procedure:

(*a*) *Stock turnover rate*

That is:

twelve times (sales value per month less gross profit) giving annualized cost of sales for the month, which is divided by the average book value of the stock on hand during the month.
Establish a fixed target turnover rate.
Express monthly turnover rates as a percentage of target.

[1] One particular book to which the attention of interested readers is drawn is *Statistical Forecasting for Inventory Control*, by Robert G. Brown, published September 1959 by McGraw-Hill (New York).

(*b*) *Picking percentages*

That is:

the number of orders picked from the bin, at the first visit, as a percentage of total ord ers.

Fluctuations in the stock turnover rate, taken to one decimal place, will be found to be some three times greater than the corresponding fluctuations in picking percentages. That is, a 3 per cent movement in turnover rate will be approximately equivalent to a 1 per cent movement in picking performance. Therefore the fluctuations in turnover rate must be adjusted so that they are proportionate to those for picking performance. This is done in the following manner:

$$E=\frac{2\left(\frac{100-A}{3}\right)+A+B}{2}$$

where A = Turnover rate as a percentage of target
B = Picking percentage
E = Efficiency rating

Example

		£
Sales for month 1, were	.. ..	20,000
Gross profit	.. .. ..	6,000
Cost of sales	.. .. ..	£14,000

£14,000 × 12 = £168,000

Average book value of stocks on hand during month 1 = £49,000

$$\frac{168{,}000}{49{,}000}=3{\cdot}4 \text{ turnover rate.}$$

Target turnover rate = 3·8

$$\frac{3{\cdot}4}{3{\cdot}8}\times 100=89{\cdot}5$$

Number of orders picked first time, 30,500

Number of orders received during month, 32,400

Picking percentage, 94 per cent.

$$E=\frac{2\left(\frac{100-89{\cdot}5}{3}\right)+89{\cdot}5+94{\cdot}0}{2}$$

$$E=95{\cdot}3$$

NOTES

(1) The chief accountant should set the target stock turnover rate.

(2) If the target is ever exceeded, the figure attained should become the new target.

(3) The reasons causing a good or bad overall efficiency rating may be quickly analysed and reported.

(4) Care should be taken not to control according to a target turnover rate by itself where total sales vary substantially from month to month.

Facing Facts in Financial Reporting

by DONALD GORDON, C.M.G.
Chairman and President, Canadian National Railways

The anniversary address delivered in Montreal on November 3rd to commemorate the incorporation in 1880 of The Institute of Chartered Accountants of Quebec. Although the paper was given to an audience in Canada and relates in terms to that country, the author's views on a controversial topic, in this slightly abridged reproduction, will be read with interest by accountants throughout the world.

FOR some years now business men have had reservations about the degree of reality actually revealed in financial reports, and the usefulness of these reports as a guide to investment and other business decisions. The reservations stem from a problem that faces all Canadians – indeed it is one that faces the citizens of most countries of the Western world. I refer to the consequences of changing money values as these are experienced in periods of inflation and deflation. Since the Second World War, most countries of the Western world have experienced a continuing decline in the purchasing power of their monetary units, and measures of value based on these units have become more and more controversial. As this inflation progressed, accountants were pressed further and further into the dilemma of how to measure effectively with an inconstant standard.

Although I have posted some ledgers and analysed some balance sheets in my day, I am not a professional accountant, and accordingly I do not intend to make any pronouncements about the techniques by which accountants might deal with the problems associated with changing money values. Rather, in the light of the history of recent years, I shall review some of the major economic effects of inflation and then relate these in some measure to the accountants' dilemma. I hope also to express one or two thoughts which may help you to assess the validity of existing accounting conventions in light of the changing value of the dollar.

What is Inflation ?

What do we mean by the term inflation? Far be it from me to attempt one more definition or to oversimplify what is one of the most complex problems of civilized life. Rather I shall limit myself to a description of a process which, at various stages, brings results that raise the questions for the accounting profession that I have for my subject this evening. Inflation results when the quantity of money in circulation increases at a faster rate than the quantity of goods and services available. That is, increasing amounts of money are offered in exchange for the goods and services available, and prices go up.

If we look to our description we can also trace the developments that brought about the decline in the purchasing power of our dollar. At the end of the war, demand forces were generally strong and supply situations tight. Wartime corporate and private savings had swollen the domestic spending stream while goods and services still were in short supply. The extremely strong demand for goods came from both domestic and foreign sources, the latter to build up war-shattered economies. At the same time a general desire arose on the part of people in all western countries for increased social security – for such measures as old-age pensions, children's allowances, health insurance and other similar measures. These resulted in higher levels of expenditures by successive Governments and increased competition for the available goods. Moreover, these social measures have contributed to an atmosphere of security in which business embarked upon unprecedented programmes of capital spending. One other point has affected Canada in particular. Since the end of the war we have experienced a sharp increase in our population and this has contributed substantially to the demand for goods. Although many other factors are involved, these appear the most prominent in explaining the cost-price spiral.

During the past two years these conditions have modified somewhat. Goods and services have been in more adequate supply but still there has been evidence of an underlying inflationary trend. Whether, as some claim, this is due to a fear of inflation more than to actual conditions, I am not prepared to say. In any event, it is interesting to note that the Consumer Price Index has been fairly constant since October 1958, at which time action was taken by our central banking authorities to halt the upward swing of the money supply. There now is reason to hope that the inflationary thrust is under control for the time being at least, but to keep it in check will require the watchful interest of all of us. It is well to remember that the control of inflation cannot be made the sole responsibility of our monetary authorities, and that even the efforts they do make are likely to be ineffectual without general public understanding and support. Indeed, there is great need for an educational programme aimed at informing the Canadian public about the facts of inflation – its causes and effects. To borrow a medical axiom, treatment of the symptoms is useless. Consequently, there must be an acceptance of the medicine needed for the cure of the disease and that is not likely to happen unless all interests are convinced of the existence of the malady, and appreciate its dangers.

Too often, a lack of conviction has led to easy assumptions such as that a fast developing country needs the stimulus of inflation and that controlled doses of it can avoid the risk of addiction.

Some people have argued that, in the short run, inflation tends to increase employment in a free enterprise economy. As I look back over our Canadian post-war experience, however, it seems to me that inflation may have led to cyclical unemployment rather than to increased employment. You will recall that periods of rapid inventory build-up usually were followed by periods of recession and rising levels of unemployment. Two factors seem prominent in these cycles. It appears clear that rising prices accompanied by expectations of further price increases led consumers to make heavy purchases of durable goods, particularly when credit was easily obtained. In turn business men, expecting continuing price increases, tended to expand their stocks and add to their productive facilities. When combined, these two actions tended to cause prices to rise higher and the trend to persist until such time as the consumer's current needs were satisfied. When this occurred, business men, finding themselves with excessive stocks, then curtailed their activities, and periods of recession and cyclical unemployment resulted.

The second point is that inflation inhibits the normal operation of the price system, in which prices are guides to what should be produced, and leads to a mis-allocation of resources in a free economy. Perhaps this can be illustrated best by reference to our export industries. When domestic inflation occurs at a more rapid rate than in other countries, domestic costs and prices rise disproportionately to the prices received for our exported goods. This means that the export industries, and all those industries that supply them, are put at a grave disadvantage, and under such conditions production and employment in these industries is less than would otherwise prevail.

To take a longer-run view of the situation, in still another sense, inflation results in a mis-allocation of our human resources by encouraging speculation in stocks, commodities, and real estate. I recognize that under normal conditions speculation can perform a valuable function in stabilizing markets, but when prices are expected to continue upwards indefinitely, speculation gets out of hand. In recent years, it would not be surprising to find that men have devoted their talents and skills excessively to hedging against inflation. To the extent that they have done so, rather than engaging in more productive activities, there has been a lower level of real output in the economy than would otherwise have obtained.

Finally, and perhaps the most apparent of the evils, inflation reduces and can wipe out the value of all savings that are represented by fixed dollar claims such as savings accounts, life insurance, pensions, bonds and mortgages. In this sense, inflation expropriates property unequally and inequitably and causes a redistribution of wealth without regard for need, ability or work performed.

Economic Humanism

A few weeks ago, most of us followed with a great deal of interest the running debate on the merits of Communism and Capitalism as expounded by Mr Kruschev on the one hand, and by American speakers on the other hand. This was really a debate in the grand tradition, and I do not wish to editorialize on it except to say that I was forcibly struck by a term which Mr Henry Cabot Lodge, United States Ambassador to the United Nations, used in his rebuttal of one of Mr Kruschev's polemics. Mr Lodge referred to capitalism in the United States as 'economic humanism' and went on to point out how the American system was really a mixed system with both private and public enterprises working together to raise the standard of living of Americans.

I like that definition of Mr Lodge's since it just as aptly describes our system. In Canada, as in all western countries, most business men have developed a keen sense of social responsibility, and humanistic values are strongly supported. However, the continuance of this system requires adherence to certain rules. One of the most important of these is that our monetary unit must maintain a reasonably stable value. It appears self-evident that when economic contracts stretch five, ten and more years into the future, we must be able to count on a stable money unit. Lord Keynes, the British economist, once observed:

> 'Money in its significant attributes, is, above all, a subtle device for linking the present to the future.'

There are quite enough uncertainties in the future without adding to them fluctuating currency values.

Inflation makes saving less attractive, and consumption more attractive. In this atmosphere it has been charged that inflation tends to eat away the nation's capital, because business earnings are overstated, with consequent excessive distribution through incorrect accounting practices. This, of course, becomes a matter of degree, but it does raise sharply the question as to whether or not the accounting profession has a responsibility for determining to what extent the effects of the changing value of the monetary unit should be reflected in the financial reports of a business enterprise. Should the profession accept such a responsibility? Well, I think it must, at least to the extent of deciding upon proper procedures and advocating their adoption. For when assets are acquired at one price level, and are consumed over a period of years, during which money values change, financial statements which do not record these changes are suspect as being unrealistic and, indeed, misleading.

The Problem in Other Countries

Let us turn for a few minutes to examine how the problem was dealt with in other countries even though the circumstances were much more extreme.

During the twenties, inflation became chronic in Germany. From 1918 to 1923, the paper mark declined in value from the equivalent of about two for each gold mark to the equivalent of one million million for each gold mark. In the early stages of this inflation, accountants continued to employ historical costs. However, as the inflation gathered momentum, it became generally recognized that corporate profits were being grossly overstated and that income taxes were being paid on paper profits. To add to the financial chaos, many corporations unwittingly depleted their capital by distributing these paper profits to their shareholders.

In 1921, the German Government formally recognized the problem and introduced a regulation to provide a degree of relief. While income was to be computed in the normal manner, with depreciation based on historical cost, the taxation authorities permitted an extra tax-free replacement fund 'to allow for the excess of the prospective replacement costs of the durable capital goods over their common value'.

As financial statements became more and more meaningless, an attempt was made to relate the figures to some more stable base. While several methods were devised, the method most widely adopted was that of stabilization of equalization in terms of the gold mark.

The introduction of stabilized accounting resulted in a drastic change from former concepts of fixed asset accounting. In transferring fixed assets from the historical records to the stabilized records, old book value was usually ignored and the current replacement cost (less estimated depreciation) was converted into gold marks. Thus, fixed assets became revalued in terms of replacement value and the depreciation expense, based on replacement, became an element of cost which was taken into consideration in establishing selling prices.

Time does not permit more than a passing reference to the regulations of a few of the countries which have been seriously affected by inflation since the end of the Second World War. Suffice it to say that the Governments of France, Belgium and Italy have all enacted legislation to provide a measure of tax relief to offset the effects of inflation. (At this point I should interject that as the conditions are not similar, the proponents of stabilized accounting in this country should not expect to alter the incidence of taxation. That is, if a new procedure is accepted and taxation is to yield the same revenue from the corporate sector of the economy, corporate tax rates must be adjusted.)

Comment and Criticism in England

Most of us are probably familiar with the public attention focused on this matter in England in 1951, following the release of the Tucker Report issued by the Committee on the Taxation of Profits. The committee, which was set up by the Chancellor of the Exchequer, heard various proposals for the revision of taxation in view of rising price levels. The report made it clear that the committee was influenced against tax allowances for enhanced replacement costs by the stand taken by the accounting profession. With respect to these proposals for revision, the report said:

> 'In essence they all amount to a proposal that a business should be relieved altogether from tax on some part of its true profits, that is to say, its profits as computed on ordinary accountancy principles.'

Criticism of this comment was strong in financial circles. One critic, writing in *The Financial Times*, was particularly outspoken:

> 'You see? True profits my foot. The life blood of British industry can be drained away so long as the conventions of The Institute of Chartered Accountants remain inviolate. You start off trading with a dozen coconuts and you finish up with twelve peanuts, but you will get your auditor's certificate all right!'

Institute Recommendation

It is significant that The Institute of Chartered Accountants in England and Wales had, in 1949, issued a recommendation on Rising Price Levels in Relation to Accounts. It read in part:

> 'Any amount set aside to finance replacements (whether of fixed or current assets) at enhanced costs should not be treated as a provision which must be made before profit for the year can be ascertained, but as a transfer to reserve. If such a transfer to reserve is shown in the profit and loss account as a deduction in arriving at the year's balance, that balance should be described appropriately.'

In 1952, the Institute amplified the 1949 bulletin. While the opinion was reiterated that historical cost should continue to be the basis on which annual costs should be prepared, the Institute commented on the desirability of

> 'experimenting with methods of measuring the effects of changes in the purchasing power of money on profits and on financial requirements'.

The Council recognized that profits as measured conventionally do not measure increases or decreases of wealth in real terms; that the accounts do not show how much profit can be prudently distributed to shareholders; and that the results shown by the accounts are not suitable for purposes of fixing selling prices, taxation, or for use as a basis of wage negotiations.

In Canada the question has been under discussion for about twenty years. The issue was probably liveliest shortly after the Second World War when industry both here and abroad was faced with the financial burden of a large volume of capital replacements at a higher price level. It is my impression that the majority of accountants in this country still favour the historical method of accounting. In support of their contention these accountants argue that a business which bought assets during a period of low price levels is at a definite cost advantage, and that necessary funds for replacements may be

retained within the business by present recording methods. However, an increasing number of dissenters have emerged who favour some form of stabilized accounting. Many of them hold that the additional cost of replacing an asset at a higher price level accrues throughout the life of the original asset, and that this cost is a proper charge against the revenue produced by that asset. The dissenters also maintain that, under present practices, provision for replacements at increased costs is not consistent, since it is dictated by managerial expediency.

The problem is not related solely to fixed assets, but to other balance sheet items as well. Inventories, for example, are normally held by an enterprise for a relatively short period. In many businesses, inventories constitute a significant item on the balance sheet, and their counterpart, cost of sales, is usually the largest expense shown on the income statement. Thus, even a small change in the value of the dollar between the time of purchase of an item and its subsequent sale can have a significant impact on the financial statements.

I am told that those accountants who agree with the contention that profits will be overstated during periods of inflation have attempted to relate current costs to current revenues by adopting the last-in, first-out (commonly called 'LIFO') method of accounting for stores. You are aware, that under this method an assumption is made, for costing purposes, that the last units of a particular material received were the first items used or sold.

Even under the 'LIFO' method of accounting, however, significant difficulties may arise. An outstanding example of a defect in this method is the impact it had on the profit of the United States Steel Corporation during the 1949 strike. During the strike that corporation produced no new stocks and it sold from basic inventories at former dollar costs. As a result, in the last quarter of 1949 the operating statements revealed $17 million of abnormal profits on which the income tax amounted to $7 million. Under ordinary circumstances and using the 'LIFO' method, this abnormal profit would not have been revealed and the amount would have remained concealed in the inventory valuation. It appears to me that accountants must adopt a method which will disclose such significant factors.

It is interesting that the accounting concept of income has always varied from that of the economist. Most economists subscribe to the view that income is the product resulting from the application of labour and capital resources. When referring to costs, the economist normally means current costs and he considers historical costs to be of little or no relevance. On this basis, profit is the spendable income arising from a business, which accrues to those who risk their capital and effort. Profit, therefore, is that part of income which may be spent without depleting the capital of the business. That is, as one authority on the subject has put it, if we are to maintain our level of real investment the fruit may be picked but the tree may not be felled. From this it seems probable that economists in general would not oppose those accountants who suggest a change in present methods.

Searching Questions

We shall have to ask some very searching questions before we can reconcile the historical accounting view of income with the economic view. In a going concern, goods will have to be replaced. Then what is the nature of the difference between historical cost and the replacement value of the goods exchanged? If our inventory of goods appreciates through a rise in the price level, is the amount of appreciation expendable? If an entrepreneur invests $100,000 in 1939 and he has $100,000 in 1959, has he protected his capital when the purchasing power of this investment has fallen substantially? Or can we justify either morally or economically solicitation of the public for funds to replace those lost in prior years of inflationary erosion?

Now when one tries to consider the accountant's duty in respect of the effects of the changing value of the monetary unit and its impact on financial reporting, it becomes necessary, among other things, to define the functions of accounting. Again this is beyond my ken, but I shall select two rather obvious functions that come within the orbit of my topic. One function is the provision to interested parties (such as owners and creditors) of dependable information on the financial status of the business enterprise. This very definition asks its own questions. Is this being accomplished if financial statements do not attempt to record economic conditions which may have already had a serious impact on the financial affairs of the company? Even if the basis of valuation is stated on the balance sheet, can the public accountant continue to certify annually that the financial statements present a true and correct view of the affairs of a business concern? And if we agree that it is generally recognized that an accounting problem exists because of the change in the value of the dollar, are you justified in continuing to refer to 'generally accepted accounting principles', if certain basic principles are coming under increasing attack?

It is my understanding that one of your fundamental conventions deals with consistency of presentation from year to year, and that another convention requires that, given a reasonable choice, the accountant adopts the more conservative stand. But are the financial statements consistent if they do not distinguish between a 1939 dollar and a 1959 dollar? And is your stand conservative if the income is overstated by the difference between accounting profits and economic profits?

Internal Financial Reporting

I pass on now to the next purpose of accounting which I shall call the internal financial reporting function. It is my opinion that accountants must provide management with reliable information which

will assist in the control of the enterprise. Again we must ask whether accountants are supplying the best possible guidance for the formulation of policies on such matters as dividends, expansion, pricing, credit and analyses of earning power. Managements must consider carefully the possibility of dissipation of real capital brought about through present recording methods. If recorded profits are inflated through the effects of changing money values, is it not reasonable to assume that real capital may be depleted through demands from shareholders for larger dividends, and from employees' representatives for higher wages? Is the life blood of industry indeed being drained away?

I have said enough to show that I believe inflationary tendencies have a profound effect on the affairs of an enterprise, and that I am far from satisfied that this impact is sufficiently disclosed in financial reports. I have heard a great deal of controversy over the adoption of correctives for the problem, but it is certain that the discussion has far exceeded the action taken.

If I were capable of advancing a ready-made solution, rest assured I would not hesitate to do so, but as I said at the outset, I intend to make no pronouncement about accounting techniques. I could, however, give you the names of a score of eminently qualified professional men forming part of this audience whose considered judgment I would be prepared to accept. The question is, therefore, how best to get the group effort in the form of research and analysis that must precede any formal action. There are some obvious preliminaries and for what it may be worth, I shall round off my comments with a summary of some thoughts and impressions I have formed while looking at some aspects of the problem.

Clarification of Audit Certificates

The first step might be a clarification of the audit certification which is appended to financial reports. I believe that the public accountant should specifically mention that the reports referred to do not attempt to record changes in the value of the monetary unit. This proposal is intended only to highlight it and ensure that interested parties are not misled by certified statements in which various price levels are represented.

It is worth calling your attention also to the approach of the American Accounting Association to the financial reporting phase of the problem. As early as 1951, that association made a ruling which was both cautious and prudent. While the ruling noted that the 'primary financial statements should continue to reflect historical costs', it recommended that adjusted dollar statements be given a thorough test. The bulletin said that such statements should be supplementary to the financial reports based on historical cost, and that the two types should be fully reconciled in published accounts.

There are undoubtedly a number of other starting-points, but an appropriate beginning for your group might be an announcement on the subject which would advise your members of the research undertaken, and also of the opinion of your Council.

This may stir up a hornet's nest, but what is your Council for, if not to direct attention to matters of this kind, and to show leadership in eliciting opinion that will lead to decisions? There are any number of proposals that ought to be examined; some provide for the substitution of current costs on the formal records of the company and even suggest the type of index which should be employed; some may be too radical and require study in respect of legal aspects, and yet others may offend against what may be called fundamental principles, but all should be known to your Institute and a programme of research and analysis embarked on for that purpose.

I mentioned earlier that a programme of education for the Canadian public in respect of the facts of inflation was badly needed. In this the accounting profession has an important part to play. I do believe no one is better equipped than the qualified accountant to let people know the effects of inflation, and that, as a natural corollary, your profession should express views on how best to make the record speak to provide realistic information to owners, managers, labour, investors and all others at interest.

Organized Effort by Accountants Needed

What is needed surely is an organized and systematic effort fully approved by your membership, having for its objective a series of definitive recommendations to such authorities as may be involved. The accounting profession must agree among themselves before they can gain acceptance of their views from the business community or from Governments.

Public accountants have built up an enviable prestige through a high level of competence and ethical practice. Your opinions carry considerable weight in business and governmental circles, and you have given your opinions wisely on such matters as taxation, revisions to the Canadian Companies Act, and so on. But for twenty years you have been arguing among yourselves about the most important accounting question of our generation, and the shibboleth of 'generally accepted accounting principles' has prevented your profession from coming up with forthright recommendations.

It could be that this has been the safest course for you to follow. It could be that efforts to make the financial statement reveal the impact of changing money values would provoke so many other difficulties that the cure would be worse than the disease. If that is the decision so be it, but you won't convince thoughtful people that it is the right answer until your opinion is supported by careful research and analyses. Certainly you may count me as among those who entertain serious doubts that your 'generally accepted accounting principles' are adequate to face the challenge of the facts as they exist. Consequently, because of the great respect I have for your profession, I urge, in the interests of prestige and confidence, that there be no further delays or equivocations.

Weekly Notes

The Institute and the Future

THE decision of The Institute of Chartered Accountants in England and Wales, as recorded in the report of the November meeting of the Council given on other pages, to set up a Technical Activities Committee to review and report on the whole question of the Institute's activities in the technical field may have far-reaching consequences. Referring to this innovation in a speech at the annual dinner of the Leicestershire and Northamptonshire Society of Chartered Accountants in Northampton recently, Mr C. U. Peat, M.C., M.A., F.C.A., the President of the Institute, said that the survey of the new committee would include research into every aspect of an accountant's work.[1]

It may be assumed, however, that while due consideration will be given to auditing procedures and other well-established branches of professional endeavour, special regard will be paid to such modern developments as management accounting, as the concern both of those members who are engaged full-time in industry and commerce and of those practitioners who render services to clients as consultants. The possibilities of electronic data processing and its impact on the existing techniques of accounting and, consequently, of auditing will also doubtless be fully explored as will, too, the Institute's present methods of making recommendations on accounting principles, issuing publications on specialized aspects of professional knowledge and submitting evidence on a wide range of matters from taxation to decimal coinage to Government departments, Cabinet Ministers and specially constituted bodies, both public and private.

In short, the terms of reference of the new Technical Activities Committee appear virtually to be all-embracing. Only one thing may be said about it for certain at this stage and that is that the outcome of its deliberations, we feel sure, will vindicate the President's forecast at Northampton when he said: 'As an Institute . . . we have a very correct idea of our objectives and, I believe, given time, will achieve them'.

Fellowship Proposals Allowed

AS announced in the report of the meeting of the Council of the Institute which appears elsewhere in this issue, the Secretary of the Institute has received formal notice from the Clerk of the Privy Council of the allowance of the alterations to the supplemental Royal Charter and the bye-laws relating to fellowship. The resolution containing the fellowship proposals was passed at a meeting of members held on June 2nd, 1959, and was duly confirmed at a meeting held on August 5th, 1959.

State Building Society Inspector Appointed

THE failure by the State Building Society to satisfy the Registrar of Building Societies that an investigation into its affairs was not justified, following evidence submitted by Mr Byk and three other members of the shareholders' committee, resulted in the appointment last Tuesday of Mr W. H. Lawson, C.B.E., B.A., F.C.A., a Past President and a member of the Council of The Institute of Chartered Accountants in England and Wales, to investigate and report on the Society's affairs.

The appointment of Mr Lawson is made under Section 5 of the Building Societies Act, 1894, which enables the Registrar to make the appointment where evidence is submitted by statutory declaration of not less than three members of a society of facts which, in his opinion, call for examination.

Mr Lawson, who is a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, is also currently a member of the Royal Commission on Local Government in Greater London.

Stamp Duty Appeals Fail

THE House of Lords has dismissed two important stamp duty appeals one of which was the subject of a leading article in our issue of May 24th, 1958. In *Grey v. C.I.R.* (37 A.T.C. 136) a person who was beneficially entitled absolutely to certain shares orally directed his nominees to hold them on the trusts of a certain written settlement. A few weeks later they executed a written declaration purporting to record what had been done and declaring that they accordingly held the shares on the trusts. The Court of Appeal held that the purported oral direction was a 'disposition' within the meaning of Section 53 (1) (*c*) of the Law of Property Act, 1925, and therefore, since it was not in writing, was invalidated by that section. The Court held further (although the taxpayer did not in any case contest it) that that being so, the written declaration by the trustees required to be stamped *ad valorem* as a voluntary disposition within Section 74 of the Finance (1909–10) Act, 1910. On November 2nd the House of Lords unanimously affirmed this decision.

In *Oughtred v. C.I.R.* (37 A.T.C. 148) the life-tenant of certain trust shares orally agreed with the reversioner to acquire his reversion from him in exchange for some shares of her own, 'to the intent that her life interest should be enlarged into absolute ownership'. On the day fixed for completion she transferred the consideration shares to the reversioner, they both executed a release in favour of the trustees, and the trust shares were transferred to the life-tenant. The Court of Appeal held that the transfer of the trust shares as such, although it did not mention

[1] See *The Accountant*, October 24th, 1959, at page 369.

the reversion and the reversioner did not execute it, was nevertheless a transfer 'on sale' of the reversion and accordingly required to be stamped *ad valorem* on the value of the shares which the life-tenant had given for it. By a majority of three to two (Lord Radcliffe and Lord Cohen dissenting) the House of Lords, on November 4th, upheld this decision.

Finality in the *Whitworth Park* Case

ON November 5th, the House of Lords (Lord Radcliffe dissenting) dismissed the appeal of *Whitworth Park Coal Co Ltd* from the Court of Appeal decision delivered on March 12th, 1958, and reported at 37 A.T.C. 106 (*The Accountant*, March 29th, 1958). The company received payments of 'interim income', under the Coal Industry Nationalization Act, 1946, and the Coal Industry (No. 2) Act, 1949, from the Crown. These payments were calculated by reference to, and made in respect of, years earlier than those in which the payments were made. The Special Commissioners held that the payments were assessable under Case VI, not Case III of Schedule D; and that such income accrued over the period in respect of which it was paid. The Crown appealed to the High Court where Harman, J., held that the payments fell within Case III and were assessable in the years in which they were received. The company appealed to the Court of Appeal where it was held that Case VI applied but this would not affect the final result because even under Case VI the payments should be assessed for the years in which they were received.

The House of Lords has now held that Case III applied, although neither Rule 19 nor Rule 21 of the General Rules (now Sections 169–170 of the Income Tax Act, 1952) could apply to payments made by the Crown. Being within Case III the income arose when it became due and payable, which in this case was when it was received. Lord Radcliffe, in a dissenting speech, said he thought that the income ought to be spread back.

Report on Trade Unions

IN his report on trade unions[1] for the year 1958, published last Monday, the Chief Registrar of Friendly Societies refers to a deficiency in the funds of the National Association of Card, Blowing and Ring Room Operatives amounting to £5,200. This association is a registered trade union with about 44,000 members and assets of £230,000.

The deficiency, which was discovered as a result of an investigation carried out by professional accountants, instructed by the union, had been facilitated by the fact that the accounts had previously been audited by unqualified auditors – a practice, states the Chief Registrar, 'that I had to comment upon adversely in my report for 1955'.

Though an officer of the union was found to be responsible for the deficiency and was dismissed, the union declined to prosecute. Nor would the union allow either the police or the Chief Registrar's department to inspect the books of account. There the matter has had to rest for the Registrar has no power to compel a registered trade union to produce its books. The Chief Registrar adds that he was, of course, in no position to say that the result of any inquiries would of necessity have led to proceedings. To take the view, however, as did the union, that proceedings would be ill-advised seems to be highly questionable.

The report reveals that the majority of the registered unions of employees experienced a fall in membership during 1958. Their total membership at the end of the year was 8,405,000 as compared with 8,593,000 at the end of 1957. On the other hand, their total income of £27,056,000 (of which £23,489,000 was subscribed by members) was £1,349,000 more than in the previous year.

The expenditure of these unions was £769,000 less than in 1957. The major factor accounting for this was a fall in the expenditure on dispute benefits from £2,971,000 to £1,383,000. Of this total the Transport and General Workers Union accounted for £1,174,000 (nearly 85 per cent) which may largely be attributed to the London bus strike. Almost all other items of expenditure were higher than in 1957: unemployment benefits rose by £141,000 to £328,000, provident benefits (i.e. all benefits other than dispute and unemployment) rose by £217,000 to £6,192,000, political fund expenditure by £162,000 to £678,000, and working expenses by £587,000 to £13,619,000.

The funds of the unions increased by £3,479,000 (as compared with an increase of £1,301,000 during 1957) and amounted at the end of the year to £84,275,000 which represented an average of just over £10 per member, 12*s* more than at the end of 1957.

[1] Report of the Chief Registrar of Friendly Societies for the year 1958. Part 4, Trade Unions. H.M.S.O. 3*s* net.

Registration of Land Agents

A MOVE towards the statutory control of estate agents by registration was indicated on Tuesday of this week in a joint letter to *The Times* from the Presidents of the Royal Institution of Chartered Surveyors, the Chartered Land Agents' Society, the Chartered Auctioneers' and Estate Agents' Institute, and the Incorporated Society of Auctioneers and Landed Property Agents. In the letter it was stated that representatives of the three chartered bodies have now agreed a draft Bill

> 'for the registration of those who, in consideration of any payment, hold themselves out as able and willing to undertake on behalf of any other person the sale or purchase or other disposal of land, or the letting or taking on lease of land'.

A statement setting out the general proposals, together with an explanatory memorandum, is to be sent out shortly to the members of each of the four bodies.

The Accounting World

AUSTRALIA

Appeal of Australian Securities

THE possibility of increasing the attractiveness of Australian securities to the overseas investor, notably investors in the United Kingdom, is the subject of an article called 'Overseas investment in Australia' in the October number of the *Quarterly Survey of the Australia and New Zealand Bank Ltd.* The article points out that the nominal value of listed securities in Australia has increased from about £A1,000 million in 1939 to about £A6,000 million at the present time. A number of administrative and tax points are raised in the article to improve the marketability of Australian securities abroad.

The Australian Government has already announced that in June 1960 it will introduce a withholding tax on dividends. This change to the taxation of dividends at source is thought in the article to be a future favourable point for investment in Australia. On the administrative side certain improvements in procedures are suggested. These include the provision of a full list of Australian quotations in London each morning. An overnight telex report could provide quotations in London at 9 a.m. on the same day on which the Australian markets have closed. Another way to help London buying would be to establish London registers and obtain quotations on the London Stock Exchange. A central clearing system is likely to be established in the near future in Australia to facilitate settlements and expedite the delivery of documents. The technical problem of handling increasing turnover in shares under the call system has been met by making special provision in Sydney for a change-over from the call system on exchange to post trading, and in Melbourne a second call room for fixed interest securities has been established, running with the main call room.

In addition to these improvements there remains the general problem of providing an adequate intelligence service between Australia and big international share exchange centres so that the investing public and their advisers can have a readily available source for background information and be readily put in touch with the latest developments – as happens between South Africa and London in the gold share market.

NEW ZEALAND

Society's Year Book

THE 1959 edition of the *New Zealand Society of Accountants' Year Book* records a rise in membership of the Society of 163 over the preceding year, bringing the total number of members to 6,551. Of these, 4,579 are situated in North Island, 1,749 in South Island, and 223 overseas. The *Year Book* shows that 1,833 members are in practice, while there are 4,718 not in practice.

Alphabetical and topographical lists of members are given, together with the names of members of the fifty-first Council and details of the membership of the Council's six committees. A scale of fees, which the Council of the Society recommends should be used by members as a basis for fixing fees, is also included.

SOUTH AFRICA

Committee on P.A.Y.E.

A COMMITTEE of the South African Chambers of Commerce (Assocom) is to investigate the question of introducing an income tax P.A.Y.E. scheme for the Union of South Africa, limited to wage and salary earners.

At the recent congress of Assocom it was stated that retail sales dropped markedly each year when tax assessments were publicized, and that hire-purchase payments were delayed.

At present, income tax payers can buy tax redemption certificates at post offices in 10*s* multiples up to £1,000; these carry interest at 3½ per cent per annum. The interest is added to the amount deposited when the certificates are surrendered, and any excess refunded. However, Assocom members say that the certificate system does not counterbalance the effects of yearly payment of income tax.

Building Societies in Conference

THE eighth congress of the International Union of Building Societies and Savings and Loan Associations which took place in Johannesburg from September 28th to October 2nd, was attended by delegations from some twenty-four countries in Europe, America, Africa, Asia and Australasia. The Association of Building Societies of South Africa acted as hosts to the congress and Mr Gordon Collins, deputy president of the International Union, gave an outline of the movement's expansion in South Africa since it began in Port Elizabeth 104 years ago. Today there are twenty-eight registered societies in the country with assets exceeding £570 million. In fact, with about £190 of assets for every European in the population, South Africa must be considered the most building society conscious country in the world. Two of the societies – the United and the South African Permanent – are among the largest in the world; their combined assets exceeding £314 million.

Mr Morton Bodfish, of the American delegation and President of the International Union, said in his opening address that 'the money needed to provide families with shelter can and should be financed

entirely out of private savings . . . our goal should be to make all housing credit the domain of private investment.' He then went on to say that, since the previous congress in Stuttgart two years ago, the number of persons served by the movement, both as savers and borrowers, had steadily increased and there had not been a single important instance of a setback to the business. In America the number of savings and loan associations rose from 6,136 in 1956 to 6,200 in 1958, whilst total assets had increased from $5,700 million in 1940 to $55,100 million in 1958.

The chairman of the British Building Societies' Association, Mr Alexander Meikle, reported that the coming into force of the House Purchase and Housing Act, 1959, on June 14th this year, was considered an important event for building societies in the United Kingdom. It was now possible for societies which satisfied certain minimum requirements as to total assets, liquid funds and reserves to apply for a 'designated' trustee status. Thus, in future, trustees could invest trust funds up to £5,000 on deposit with designated building societies. The Act also made available Government funds to societies in order to provide loans of up to 95 per cent on pre-1919 houses whose value was not over £2,500 (£3,000 in London).

Dr Werner Lehmann, manager of the German Association of Private Building Societies, emphasized the difference between the Anglo-Saxon and the Central European conception of building societies. In Germany and Austria, they are called 'Bausparkassen' or building savings banks, and act as co-operatives, distributing loans to their own saving members in rotation. In Austria, for example, the member had to save 30 per cent of his contemplated building costs before he was entitled to claim a building loan from the 'Bausparkassen'. Dr Lehmann said that at present 2·7 million families in Germany are participating in the building society savings scheme with a target of about Dm.40,000 million (£3,000 million). At the end of 1958, there were twenty-nine private and public building societies in the Federal Republic with total assets of Dm.6,700 million.

CANADA

Tax Conference

THE annual tax conference of the Canadian Tax Foundation is being held at the Château Frontenac, Quebec, from November 19th–21st. The proceedings will consist of a series of general and panel sessions and among an interesting list of subjects to be discussed are: 'Should capital gains be taxed?' (the American approach and the Canadian approach); 'Gift tax – its purpose and effect'; 'Family relationships under income and death taxes'; and 'Pension plan approvals'. The Hon. Donald E. Fleming, Q.C., Minister of Finance, will be the guest speaker at a conference dinner to be held next Friday.

Established by the Canadian Bar Association and the Canadian Institute of Chartered Accountants, the Foundation holds annual conferences as part of its work towards the improvement and wider understanding of the Canadian tax system.

FRANCE

Background to Tax Reform

RESEARCH carried out by a member of the French statistical office has attempted to enter into the psychology of the French taxpayer. On the basis of 1,049 replies to a questionnaire, it was discovered that many taxpayers regard fiscal frauds as a legitimate means of defence against the State and, in addition, that they are facilitated by complexity of the tax system.

From the replies it appears that the proportion of taxpayers who indulge in fraudulent tax evasion amounts to 67 per cent in industry and commerce, 16 per cent in the professions, 59 per cent in trades and 47 per cent in agriculture. Salaried employees and workers defraud the Revenue in the proportions of 14 per cent and 8 per cent respectively; but as salaries and wages are reported by employers, it is only in respect of undeclared occasional earnings and tips that tax evasion is possible for these groups. As for farmers, they are favoured by the tax laws to such an extent that evasion must be due to some unidentifiable cause.

An article in *La Revue Belge des Sciences Commerciales* (Brussels) for June-July points out that tax reform can only proceed on the basis of a reform of budgetary policy, and must be accompanied by a diminution of the unproductive expenditure of the Government. The Ministry of Finance has already commenced a review of Government expenditure with this object in mind. Meanwhile, details of the proposed reform of taxation have been published, the aim of which are 'to bring taxes in without giving taxpayers the feeling of being victims of injustice'.

The new system merges the two former types of personal tax into one progressive tax, which starts at 5 per cent for the first 440,000 francs of income (about £320) and increases to 65 per cent for the part of income over 12 million francs (about £8,700). Salaries are subject to a deduction of 10 per cent for professional expenses and there is a deduction of 20 per cent from the balance. If the individual taxpayer's liability does not exceed 7,000 francs (about £5) per 'part' (1 for a bachelor, 2 for a married couple without children, 2·5 for a couple with one child, and so on) he will be considered as exempt.

Industrial and commercial profits are exempt in respect of the first 300,000 francs which is increased to 440,000 francs for small tradesmen. The main characteristic of the reform appears to be a reduction of the incidence of taxation on the small taxpayer. Other provisions deal with depreciation, exchange losses and gains, suppression of certain local taxes and the much discussed 'tax on added value'.

Finance and Commerce

Words Without Figures

AN interim report issued by Josiah Parkes & Sons Ltd, lock makers and brassfounders, of Willenhall, Staffs, provides another example of what such a report should not be – it is all words, no figures. The company has declared an interim dividend of 6 per cent which compares with 5 per cent last year, and is, says Mr C. W. Parkes, the chairman, 'an indication of continued progress in the company's affairs'.

> 'During the period since January last,' he continues, 'the output from the factories has shown a very satisfactory increase over the corresponding period last year, and the intake of orders is continuing at a high rate. The available production facilities are being employed to the fullest extent and in the next few weeks part of the extensions now in progress at our Portobello factory will become available for use.'

The interim report continues with such phrases as 'substantial improvement in our export business', 'group profits are at a higher rate than last year' and 'present indications suggest that the results for the year 1959 will be entirely satisfactory'.

It is perhaps something on the right side that shareholders should be given this indication of the progress of their affairs. But how much more meaningful would actual figures be. No well-run business is without figures which, at least at the half-year, should be available to the shareholders.

Rolls Razor

IT is rather sad to see Rolls Razor Ltd on the verge of liquidation. Formed just over thirty years ago, the company based its prospects on its hollow-ground self-stropping safety-razor which achieved a high reputation but faced the competition of the cheap short-life wafer blade. Moving with the times, Rolls went into electric dry shavers, and again produced an excellent article but faced the competition of the big battalions moving into multiple shaving heads with the backing of tremendous advertising power.

More recently, in an endeavour to retrieve fortune, Rolls adopted a 'Foamatic' washing machine and almost at once lost the selling advantage of a relatively low deposit – these being hire-purchase days – as the 50 per cent hire-purchase restriction was removed.

As the report of the directors puts it: 'During the current year, it became obvious that the demand for this machine would not continue at a rate sufficient to restore the fortunes of the company', and the board, consulting with their professional advisers, decided on 'arrangements to put the company into the most advantageous position for a realization of its assets preparatory to eventual recommendation by the board for a voluntary liquidation'.

There are indications that the company may eventually be 'taken over' but if not, it is now fairly obvious that with issued capital of £250,000 nearly halved by the profit and loss debit balance, liquidation seems inevitable.

Special Service

SELF-SERVICE is now familiar enough in the retail field, but one would not have thought it could so readily be adapted to the wholesale trade. That such is possible, however, has been demonstrated by Brown, Hopwood & Gilbert Ltd, wholesale grocers and provision merchants, of Birmingham. During the year, says Mr Alexander Brown, the chairman, a new trading department was instituted on a 'cash and carry' basis whereby customers can come into the premises, select their purchases, pay cash, and take them away. This service, he says, enables the company to give better terms and at the same time is proving an economical way of handling merchandise.

The company has also expanded a system of voluntary group trading whereby the independent retail grocer is given a supply and advisory service equal in efficiency to that provided by the large multiple stores and co-operative societies in serving their own branches.

Grocery business with its penny off this and twopence off that and 'special this week' has become highly competitive and the independent retailer deserves all the help that can be given in preserving his individuality. Moreover, as Mr Brown says, it is good for the shareholders.

Investment Club Accounts

WITH due acknowledgement to the Association of Investment Clubs Ltd, 31 Dale Street, Liverpool, with whom the copyright rests, we reproduce this week the first accounts of The Wirral Investment Club.

Despite all that is said to the contrary, investment for the 'small' man really presents little difficulty when unit trusts, under first-class management, are prepared to open savings-investment accounts for as little as 10*s* a month. It may seem absurd to look at 10*s* spread over a portfolio of 100 or so investments but regular saving in this manner, not only provides an interest in the stock-markets with well-spread risk, but also averages out the time-risk – the risk of buying at the top of the market.

Such investment, however, is decidedly impersonal

THE WIRRAL INVESTMENT CLUB.

Balance Sheet as at 7th September, 1959.

	£ s d	£ s d
Capital.		
206 Subscriptions.	206 0 0	
Less: – Withdrawals.	15 0 0	
		191 0 0
Subscriptions in Advance.		6 15 8
Reserve Account Share Expenses.		
Amounts paid in and Dividends received.	28 5 5	
Less: – Share and Incidental Expenses.	17 15 10	
		10 9 7
Creditors.		12 17 1
		£221 2 4

	£ s d	£ s d
Investments at Cost.		
20 Imperial Chemical Industries Ltd. £1 Ordinary Stock Units.	33 11 4	
20 Distillers Co. Ltd. 10/- Ordinary Shares.	23 19 4	
20 Steel Company of Wales Ltd. £1 Ordinary Shares.	20 16 3	
25 Malayalam Plantations Ltd. £1 Ordinary Stock Units.	29 7 6	
50 British Motor Corporation Ltd. 5/- Ordinary Shares.	30 2 5	
20 Martins Bank Ltd. 5/- Ordinary Shares.	19 15 0	
20 T. W. W. Ltd. 5/- Ordinary Shares.	39 0 0	
		196 11 10
(Market value as at 1.9.59=£241 14 4)		
Current Assets.		
Cash at Liverpool Investment Building Society.	19 17 9	
Cash in hand.	1 0 0	
Subscriptions in arrears (since paid).	3 12 9	
		24 10 6
		£221 2 4

7th September, 1959.

B. V. Groombridge.
Secretary.

RESERVE ACCOUNT SHARE EXPENSES.

	£ s d	£ s d
Premiums received from Partners.	27 0 4	
Less: – Premiums due to retiring Partners.	2 17 6	
		£24 2 10
Dividends Received.		
Interest – Liverpool Investment Building Society.	8 0	
Imperial Chemical Industries Ltd.	6 9	
Steel Company of Wales Ltd.	1 3 0	
Distillers Company Limited.	2 11	
British Motor Corporation Ltd.	5 8	
Malayalam Plantations Ltd.	18 4	
Martins Bank Limited.	4 11	
		3 9 7
Proceeds from sale of fraction re Distillers Co. Ltd.		13 0
		28 5 5
Less: **Share Expenses.**		
Purchase – Imperial Chemical Industries Ltd.	1 18 0	
Distillers Co. Ltd.	14 6	
Steel Company of Wales Ltd.	1 3 6	
Distillers Co. Ltd.	6 0	
Malayalam Plantations Ltd.	1 13 6	
British Motor Corporation Ltd.	1 2 6	
Martins Bank Ltd.	16 6	
T. W. W. Ltd.	1 13 6	
	9 8 0	
Postages.	11 3	
Registration fee.	10 0	
Stationery.	10 1	
Payment to Association of Investment Clubs Ltd. for secretarial services 1958/1959.	6 16 6	
		17 15 10
		£10 9 7

INVESTMENTS AT MARKET VALUE – 1.9.59.

		£ s d
20 Imperial Chemical Industries Ltd. £1 Ordinary Stock Units.	@ 42/6.	42 10 0
20 Distillers Co. Ltd. 10/- Ordinary Shares.	@ 28/6.	28 10 0
20 Steel Company of Wales Ltd. £1 Ordinary Shares.	@ 34/3.	34 5 0
25 Malayalam Plantations Ltd. £1 Ordinary Stock Units.	@ 25/4½.	31 14 4
50 British Motor Corporation Ltd. 5/- Ordinary Shares.	@ 17/9.	44 7 6
20 Martins Bank Ltd. 5/- Ordinary Shares.	@ 22/7½.	22 12 6
20 T. W. W. Ltd. 5/- Ordinary Shares.	@ 37/9.	37 15 0
		£241 14 4
Investments at Market value.		241 14 4
Less: – Investments at cost as per Balance Sheet.		196 11 10
Capital appreciation on Investments.		£45 2 6

DIVIDENDS RECEIVED DURING 1958/1959.

	Gross. £ s d	*Tax.* £ s d	*Net.* £ s d
Liverpool Investment Building Society.	8 0		8 0
Imperial Chemical Industries Limited.	11 3	4 6	6 9
Steel Company of Wales Ltd.	1 19 0	16 0	1 3 0
Distillers Co. Ltd.	5 0	2 1	2 11
British Motor Corporation Limited.	9 4	3 8	5 8
Malayalam Plantations Ltd.	1 10 0	11 8	18 4
Martins Bank Ltd.	8 0	3 1	4 11
	£5 10 7	£2 1 0	£3 9 7

It lacks the thrill of backing one's fancy. It is here that the investment club fills a need. Members really can take an interest in the stock-market, co-operating, it is true, with their fellow members, but nevertheless having a definite say on investment policy.

The results of one year may not look exciting, although in percentage terms the capital appreciation is substantial. The great thing is the feeling that a start has been made, that what at the moment is opportunity for social contact, investment discussion, and investment in a small way, may in the course of time become something really big – something of which to be proud because it represents personal effort.

Only time will show whether the investment club movement in this country will reach relatively the proportions it has already done in America. Since the Association of United States Investment Clubs was founded in 1951, its membership has grown from four clubs to the region of 3,000, putting over $2 million a month into the stock-market.

Qualcast

WE were right. Qualcast's turnover was £9·8 million as calculated in this column on November 7th, but Mr Jobson, while giving our arithmetic full marks, writes to say that he has a problem in stating turnover and profits. The company's trade in lawn-mowers is seasonal and 'broadly speaking the whole of the profits of the lawn-mower section are realized in the last half of the financial year'. If half-year profits were to be quoted they could, Mr Jobson considers, give a wrong impression. He maintains that 'people could get a misconception... by cutting the last year's profits in half and saying we were not doing as well, or we were doing better than was really the case'.

They could; but not, surely, if the figures were presented clearly. A Qualcast 'half-yearly' could be set out in three columns: the half-year under review, its comparison and the immediately preceding half-year, with a note pointing to the 'lawn-mower half'. So long as like is compared with like – and the 'unlike' is shown – there should be no trouble.

CITY NOTES

FOR the majority of its members, one of the most welcome decisions this week has been the Stock Exchange Council's statement that an extension of official business hours from 3.30 to 4 p.m. would not be in the best interests of the public.

Inter-office dealing is being conducted long after four o'clock now and an extra half-hour of official business could indeed only result in adding extra 'after hours' dealing time.

The market can hardly do much more business than it has done recently and there are signs that the nervous pressure on dealers and office staffs is beginning to tell. Very long hours are already being worked and have been worked all this year.

The Stock Exchange does not need longer dealing hours but a substantial and early reduction in the vast amount of paper and clerical work involved in share transfer. On a share purchase the issue of a contract note, the passing of the 'name', the receipt of stock, the sending of the transfer deed to the client for completion and return, registration of the transfer with the company for the transfer receipt, the sending of the receipt to the company for a certificate and the forwarding of the certificate to the client, is an involved process. Behind it is the book-keeping process of the journal, jobbers' ledger, clients' ledger, ticket and stamp accounts.

On the selling tack the making out of transfers, their certification, stamping and delivery after the acceptance of the buyer's 'name', also involves much paper work as well as complementary book entries.

Meanwhile, although the business of the market has subsided from the immediate post-election peak, there is still a very heavy volume day by day. The success attending new issues continues to demonstrate the size of funds available for investment.

RATES AND PRICES

Closing prices, Wednesday, November 11th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Sept. 4	£3 9s 9·52d%	Oct. 9	£3 8s 9d%
Sept. 11	£3 9s 8·47d%	Oct. 16	£3 8s 4·91d%
Sept. 18	£3 9s 8·13d%	Oct. 23	£3 8s 6·74d%
Sept. 25	£3 9s 5·24d%	Oct. 30	£3 7s 8·53d%
Oct. 2	£3 9s 10·48d%	Nov. 7	£3 7s 4·62d%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3½–3 9/16%
Fine Trade Bills		3 months	3½–3 9/16%
3 months	4¼–5%	4 months	3½–3 9/16%
4 months	4¼–5%	6 months	3½–3⅝%
6 months	4½–5%		

Foreign Exchanges

New York	2·80 5/16–⅜	Frankfurt	11·69⅜–½
Montreal	2·65 5/16–7/16	Milan	1739¾–40¼
Amsterdam	10·58⅛–⅜	Oslo	20·00⅝–⅞
Brussels	140·12¾–·13¼	Paris	13·75⅜–⅝
Copenhagen	19·33¼–½	Zürich	12·15⅜–⅝

Gilt-edged

Consols 2½%	52⅛	Funding 4% 60–90	93⅜
Consols 4%	77⅛	Savings 2½% 64–67	85 13/16
War Loan 3½%	67⅜	Savings 3% 55–65	92⅝
Conversion 3½%	67½	Savings 3% 60–70	84⅜
Conversion 3½% 1969	90 3/16	Savings 3% 65–75	78 11/16
Exchequer 5½% 1966	105	Treasury 2½%	50⅛
Funding 3% 66–68	86¾	Tr'sury 3½% 77–80	80 3/16 xd
Funding 3% 59–69	85 7/16	Treasury 3½% 79–81	80⅜
Funding 3½% 99–04	74¾	Victory 4%	96

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries in the Profession

SIR, – Your correspondent, Mr Smith (October 31st issue) is spotlighting in his letter what is in my opinion one of the biggest problems facing the professional accountant today. There can be no doubt that the qualified accountant who chooses to remain in the profession rather than move over to industry is poorly paid. Yet, as Mr Smith says, the qualities required of him are basically the same. Indeed in the smaller provincial firms he must be able to deal with a variety of problems from those arising from pure audits, taxation and law to those arising from accounts from no records, back duty and estate duty; in fact, the lot! The problem is how first to obtain, and then retain, the qualified staff able to deal with these problems.

In my view the basic trouble is the old question of fees. In the past, accountants have been able to rely on a considerable amount of cheap labour, mainly articled clerks. Today, however, most firms pay their articled clerks quite well. In very few cases have fees been raised to take account of this factor let alone the higher salaries paid to the more senior staff as the cost of living, etc., has risen.

I have contacts with a number of firms apart from the one I am currently employed by and I am struck by the fact that in many cases the fees charged to clients are pretty well the same as they were as much as ten years ago. In the smaller firm where day-to-day personal contact with the client is commonplace there is considerable reluctance in increasing the charges for one's services. In addition one is constantly aware that the services of an accountant are regarded by many clients as being merely a necessary annual expense incurred in settling the tax liability. In many cases the difficulties caused by this situation, and the resultant lack of a full complement of staff result in the principals doing more and more work away from the office in the evenings and at week-ends.

It seems to me therefore, that the only real answer to this question is that the profession as a whole must seriously review the whole question of fees, and clients must be made more aware of the services rendered by the accountant, the work involved, and the cost of such work not only in monetary form but also in terms of long evenings spent with textbooks etc.

This is not a matter for individual firms but the profession as a whole and I believe that the Institutes and the Association should take the first steps in the matter. In the end the problem should be brought down to the local level. If all firms acted in unison we should be a long way towards a solution of the problem.

Yours faithfully,
DAVID A. RUSTON, A.A.C.C.A.
Chatteris, Cambs.

SIR, – I refer to the letter under the heading of 'Salaries in the profession' which appeared in the issue of *The Accountant* dated October 31st, 1959. Mr Bertram Smith is a professional acquaintance of mine and I know that he must have given this problem very considerable thought before preparing his letter to you.

The contents of his letter put the whole problem in a nutshell and I am in full agreement with his comments on the matter.

In my opinion when The Institute of Chartered Accountants and The Society of Incorporated Accountants were formed the primary purpose of the professional examinations was to prepare the successful examinees for the task of carrying out their duties in a professional office. The tendency at the present time is for the successful examinee to leave professional service as soon as possible for the ranks of commercial finance. I think it is obvious that the reason for this action is the lack of financial reward in a great many professional offices stemming from the inadequacy of the fees charged to clients. I do not suggest, of course, that salaries should be increased by reducing the principal's share of income, because in many cases the principal is not adequately rewarded for his efforts.

If the present tendency continues (and I cannot see any signs of a decline in the numbers leaving the profession for commerce and industry) the result will be disastrous to the professional office and, indeed, to the professional accountant who leaves the profession for industry. I think it is essential if the profession is to maintain its present high standard of knowledge and conduct, that the newly-qualified accountant must be given ample reward for his efforts in the profession, thereby encouraging him to remain in the profession rather than enter the commercial and industrial world ill-equipped for the task before him. I must stress that many young accountants leave the profession because of the lack of adequate financial reward in spite of the fact that they have found professional work more interesting and satisfying than work in other spheres. Many more recently-qualified accountants will leave the profession unless the position is rectified. Every effort must be made to encourage them to stay in the profession thereby increasing the prestige of the Institute.

Unless steps are taken in this direction I consider that young persons entering the profession will quickly form the opinion that service in the professional office for the purposes of sitting the examinations of the Institute is merely a stepping-stone to the posts open outside the profession. For many account-

ants this is, indeed, what the professional office has become, but I am convinced that it is not the primary intention of the Institute.

Yours faithfully,

Sheffield. ALAN SWIFT, A.C.A.

'I'm Alright Jack'

SIR, – One aspect of the mechanization of accounting work which tends to get overlooked by the advocates of super-mechanization in the office is its effect upon other departments internally and upon third parties outside.

In recent years the restraint exercised by the customary caution of the professionally-trained accountant in industry is becoming less effective whilst the influence of the work study and O. & M. men, the business efficiency consultants and the vendors of office gadgets is becoming more pervasive and persuasive. Whilst it may be conceded that more and better equipment in the office creates employment and stimulates the national economy, it is sometimes a bit hard on those who have to bear the impact of its introduction.

As an example of the side-effects of super-mechanization the following case is recorded. From one of its customers, who previously settled his account with one cheque each month, X. company now receives on average eight cheques each month – each, incidentally, posted in a separate envelope. These cheques are no doubt produced in micro-seconds at little cost to the customer. X. company, however, now has eight entries in its books instead of one, the banks concerned have to handle and record eight cheques instead of one and the Post Office has eight envelopes to sort and deliver.

Another disquieting aspect of the cult of high-speed mechanization is the changed sense of values it fosters. Accuracy, clarity and neatness in accounting documents no longer appear to be considered of merit. If the cost of checking is likely to exceed the possible loss by undetected error, then verification can be dispensed with. After all, there is every chance that the recipient of the document will spot an error, if there is one, and report it for correction.

Readers of this letter who have experienced the side-effects of indiscriminate mechanization in the office will probably sympathize with the underlying scepticism of this letter – others may perhaps take warning.

Yours faithfully,

ABACUS.

Taxation Cases

A full report of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Dain *v.* Autospeedways Ltd

In the High Court of Justice (Chancery Division)

October 26th, 1959

(Before Mr Justice WYNN-PARRY)

Income tax – Licence to use stadium – Determination of licence – Sum paid for release – Income Tax Act, 1952, Section 137 (f).

The respondent carried on the business of promoting motor-cycle speedway racing. He obtained a licence to use a stadium for this purpose for seven years, and paid therefor a sum of £5,000 and a rent of £2,500 a year. Soon afterwards, the company ceased to need the stadium and in 1952 the company agreed with the owner of the stadium that the licence was to be determined, and the company released from all its obligations, in consideration of the payment of £4,000, of which £625 represented arrears of rent.

It was contended for the company that the £4,000 was a revenue payment, and was therefore deductible in computing its profits. The General Commissioners agreed. For the respondent it was contended that the sum paid for the determination of the licence was a capital payment, but that the £625 could be deducted as being arrears of rent.

Held, the £3,375 was a capital item, and was therefore non-deductible for tax purposes.

Taw & Torridge Festival Society Ltd *v.* C.I.R.

In the High Court of Justice (Chancery Division)

October 27th, 1959

(Before Mr Justice WYNN-PARRY)

Income tax – Charity – Subscription by deed of covenant – Seats at concerts at reduced prices – Whether annual payment made – Income Tax Act, 1952, Section 447.

The appellant received sums of money year by year from members pursuant to a document headed 'Annual subscription by deed of covenant', and expressing the wish to become a member. The persons signing deeds of covenant became ordinary members; and, as such, they were entitled to seats at reduced rates for all concerts and other functions arranged by the society.

The appellant, as a charity, claimed to be entitled to repayment of tax deducted by the covenantors. The Special Commissioners rejected the claim.

Held, the benefit of the reduced prices for seats was not negligible; and as members obtained this privilege, the payments made by them under the deeds of covenant were not annual payments; and that, therefore, repayment was not allowable.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, November 4th, 1959, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, J. S. Heaton, P. D. Irons, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, J. E. Talbot, E. D. Taylor, A. D. Walker, A. H. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Assistant Secretaries.

Royal Society of Arts

Mr J. A. Jackson, F.C.A., was nominated to represent the Institute on the Examination Committee of the Royal Society of Arts following the resignation of Mr J. H. Mann, M.A., F.C.A.

Technical Activities

The Council has set up a committee with the following terms of reference:

'To review the whole question of the Institute's activities in the technical field and to report with recommendations on (*a*) objectives, (*b*) how those objectives can be achieved, and (*c*) the associated problems of staff and office accommodation.'

Section 15, Finance Act, 1958
Members' Subscriptions to *Accountancy*

Members of the Institute were informed in 1958 that the Commissioners of Inland Revenue had approved the Institute for the purpose of Section 16 of the Finance Act, 1958, so that the whole of the annual subscription paid by a member who qualifies for relief under that section will be allowable as a deduction from his emoluments assessable to income tax under Schedule E. The section refers to 'any annual subscription paid to a body of persons approved for the purposes of this section by the Commissioners of Inland Revenue' and the Inland Revenue has agreed with the Council that a member who qualifies for relief under the section is entitled to have his subscription to *Accountancy* allowed as a deduction from his emoluments assessable under Schedule E. *Accountancy* is the journal of the Institute and a member who is a subscriber pays an 'annual subscription' to the Institute.

Registration of Former Articled Clerks and Bye-law Candidates of the Society

After February 29th, 1960, the Council will not consider an application by any former articled clerk or former bye-law candidate of the Society for registration under the scheme of integration.

Exemption from the Preliminary Examination

The Council has approved certain changes in the conditions relating to exemption from the Preliminary examination. It will now accept, for the purpose of such exemption, passes obtained at the appropriate standard in any one or more of the following examinations, under the same conditions as have hitherto applied to performances in the general certificate of education examinations of the nine examining bodies in England and Wales:

General certificate of education School certificate Higher school certificate Matriculation examination	conducted anywhere in the world by an examining body in England and Wales.

Northern Ireland – Ministry of Education senior leaving examination.

Scotland – Senior leaving certificate; Scottish leaving certificate; Preliminary examination of the Scottish Universities Entrance Board.

University of Cambridge – Previous examination.

University of Oxford – Responsions.

There has been no addition to the list of recognized examinations.

The sole purpose of the changes introduced has been to achieve a greater degree of uniformity in the requirements for exemption from the Preliminary examination. Full details of the amended regulations appear in the May 1960 examinations edition of the booklet *General Information and Syllabus of Examinations*, which is now available from the offices of the Institute.

Exemption from the Preliminary Examination

One application under bye-law 79 for exemption from the Preliminary examination was acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to. Two applications were not acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Fellowship

The Secretary reported that he had received from the Clerk of the Privy Council formal notice of the allowance of the alterations to the Supplemental Royal Charter and the bye-laws contained in the resolution

passed at a meeting of members held on June 2nd, 1959, and duly confirmed at a meeting held on August 5th, 1959.

Registration of Articles

The Secretary reported the registration of 434 articles of clerkship during the last month, the total number since January 1st, 1959, being 2,048.

Admissions to Membership

The following were admitted to membership of the Institute:

Astles, George Robert; A.C.A., 1959; 69 Longley Lane, Northenden, Manchester, 22.
§Becket, Alexander Edward; A.S.A.A., 1959; c/o Richmond, Corlett & Co, 813 Permanent Buildings, Smith Street, Durban, Natal, South Africa.
Davies, Richard William, B.A.; A.C.A., 1959; Corbar, Beech Hill, Hadley Wood, Herts.
§Eekhout, David John; A.S.A.A., 1959; with Deloitte, Plender, Griffiths, Annan & Co, P.O. Box 1152, Johannesburg, South Africa.
Glover, Eric Brian; A.C.A., 1959; Flat 1, 7 Abbey Foregate, Shrewsbury, Salop.
Handyside, Robert Graham; A.C.A., 1959; 2 Glasllwch Crescent, Newport, Mon.
Jackson, Robert William Edward; A.C.A., 1959; 13 Cutliffe Place, Bedford.
Kaye, James Maxwell; A.C.A., 1959; Horse and Groom, Carholme Road, Lincoln.
§Marks, Isaac Henry; (1959); A.S.A.A., 1909; 56 Queen Street, Melbourne, C.1, Victoria, Australia.
Ohrenstein, Anthony Peter; A.C.A., 1959; 41 Ravenswood Avenue, Birdhaven, Johannesburg, South Africa.
Saunders, Kenneth John; A.C.A., 1959; 71 Brunswick Crescent, New Southgate, London, N11.
Thomas, Abraham Idaseril; A.C.A., 1959; 5 Murray Street, London, NW1.
Walton, Paul; A.C.A., 1959; 32 Marine Parade, Sheerness, Kent.

Elections to Fellowship

The following were elected to fellowship:

Alexander, Basil Denis; A.C.A., 1949; (Kingsford, Garlant & Co), Norwich Union House, 35 Earl Street, Maidstone, Kent, and at London.
Armitage, Brian; A.C.A., 1923; (Armitage, Carlisle & Co), 4 Wormald Row, Albion Street, Leeds, 2.
Barron, David Fred; A.C.A., 1958; (S. 1952, f. 1956); (*Kingscott, Dix & Co), The Booth Hall, The Market Place, Evesham, Worcs, and at Broadway, Cinderford and Gloucester; also at Pershore (*A. J. Feek & Co).
Carlisle, George Clifford; A.C.A., 1922; (Armitage, Carlisle & Co), 4 Wormald Row, Albion Street, Leeds, 2.
Collis, Frank; A.C.A., 1952; (†Jarvis, Maxwell Chalmers & Co), 230 Strand, London, WC2.
Dyer, Alan Watson; A.C.A., 1958; (S. 1953); (C. Neville Russell & Co), Poultry Chambers, 11 Poultry, London, EC2; also at Egham, (Weller & Co).

S. means year of admission to membership of the Society. Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

§ Means 'incorporated accountant member'.

Edge-Partington, James Patrick Seymour; A.C.A., 1951; (Allen, Baldry, Holman & Best), 36 New Broad Street, London, EC2, and at Guildford.
Ferguson, James Charles Stuart, B.A.; A.C.A., 1950; (Newman Ogle, Bevan & Co), Spencer House, South Place, London, EC2.
Johnson, Kenneth Walford, LL.B.; A.C.A., 1958; (S. 1952); (Crick & Bussell), 33 King Street, London, EC2.
Jones, Deryck Hadley; A.C.A., 1949; (John W. Hinks & Co), 36A Waterloo Street, Birmingham, 2, and at Smethwick.
Kent, Brian Stanley; A.C.A., 1958; (S. 1952); (Wheeler, Whittingham & Kent), Old Bank Buildings, Bellstone, Shrewsbury, Salop, and at Newtown, Montgomeryshire.
Lord, Richard Edward; A.C.A., 1958; (S. 1951); (Lord, Taylor & Co), 22 Bridge Street, Manchester, 3.
Milne, Donald Williamson; A.C.A., 1933; (D. Williamson Milne & Co), 5 Albemarle Street, Piccadilly, London, W1.
Penketh, Ronald William; A.C.A., 1951; (Edward Denton & Son), 1 Marybone, Liverpool, 3.
Robbé, Jack Robert; A.C.A., 1954; (J. R. Robbé & Co), 4 Sterling Buildings, The Carfax, Horsham, Sussex.
Roffe, Ronald John Cawley; A.C.A., 1952; (John Goodwin & Co) and (Roffe, Swayne & Co), 50 Lincoln's Inn Fields, London, WC2; also at Godalming (Roffe, Swayne & Co).
Rolinson, Frederick Joseph; A.C.A., 1952; (John W. Hinks & Co), 36A Waterloo Street, Birmingham, 2, and at Smethwick.
Rowles, Arthur Leonard; A.C.A., 1954; (Barron, Bass & Co), Chansitor House, 37/38 Chancery Lane, London, WC2.
Segal, Sidney; A.C.A., 1952; (Gollop, Kandler & White), 101 Hatton Garden, Holborn, London, EC1.
Townsend, Jack; A.C.A., 1951; (Edward Denton & Son), 1 Marybone, Liverpool, 3.
Varcoe, John Hedley; A.C.A., 1958; (S. 1954); (Brooke-Smith & Co), 80 Whiteladies Road, Clifton, Bristol, 8.
Wrightson, Larard Snowden; A.C.A., 1953; (Hodgson, Harris & Co), Old Market Place, Grimsby; (for other towns see Hodgson, Harris & Co).

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Andersen, Reginald Ernest; A.C.A., 1959; (†Greenhalgh, Sharp & Co), 17 Half Moon Street, London, W1.
Aves, Kenneth; A.C.A., 1958; (S. 1956); (Mercer & Hole), 1 St Albans Road, Hatfield, Herts, and at St Albans.
Bayliss, Lionel Mark; F.C.A., 1958; (S. 1924, f. 1928); (*W. J. R. Judkins & Co), 334 High Street, Chatham.
Bengree, John Stephen; A.C.A., 1958; (S. 1953); (Wm. Lloyd & Co), Priory Chambers, Priory Street, Dudley, Worcs.
Benson, Roger Scholes; A.C.A., 1954; (Titman & Benson), 11 Loughborough Road, West Bridgford, Notts.
Berkowitz, David Maurice; A.C.A., 1957; 24 Downton Avenue, Streatham Hill, London, SW2.
Berry, Peter John; A.C.A., 1956; (C. B. Ashby & Co), 4 Valley Bridge Parade, Scarborough, and at Malton.
Boty, John William; A.C.A., 1958; 26 Dingwall Road, East Croydon, Surrey.
Chapman, Roy; A.C.A., 1959; 33 Park Avenue, Hartsholme, Lincoln.
Clark, James Michael Dowsett; A.C.A., 1958; (Thorne, Widgery & Co), 54 Broad Street, Ludlow, Salop, and at Leominster.
Cook, John Jeffrey; A.C.A., 1958; (Lambart Sladen & Co), 56 Buckingham Gate, Westminster, London, SW1.
Corfield, Ronald; A.C.A., 1954; 114 Portland Street, Manchester, 1.
Cramer, Samuel John, B.COM.; A.C.A., 1958; (Goodman, Cramer & Co), 44 Commercial Road, Bournemouth, and at London.

Dash, Edgar Herbert; A.C.A., 1950; (Walter Johnson & Partners), 28 High Street, 1 Commercial Road, and 105A Victoria Road, Swindon, Wilts.
Davies, Kenneth; A.C.A., 1954; (Gibson, Appleby & Co), 20 Bloomsbury Square, London, WC1.
Dawkes, John; A.C.A., 1957; (Dawkes & Co), 102 Tower Road, Four Oaks, Sutton Coldfield.
De Menezes, Dominic John Santana; A.C.A., 1958; 25A Gordon Road, South Woodford, London, E18.
Dixon, John Brian; A.C.A., 1951; (C. Percy Barrowcliff & Co), 55/57 Albert Road, Middlesbrough, and at Leeds, Newcastle upon Tyne and Wakefield.
Ffoulkes-Jones, John Dillwyn; A.C.A., 1955; (Guy Walmsley & Co), 1 Duke Street, Wrexham, Denbighshire.
Finley, Frank William; A.C.A., 1958; (S. 1950); (*Davis, Finley & Co), 19 High Street, Glastonbury, Somerset.
Foster, Eric Lancelot; A.C.A., 1959; 26 Brookleigh Road, Withington, Manchester, 20.
Fullerton, Ronald Woods; A.C.A., 1939; 31 The Meadway, Cuffley, Herts.
Godfrey, Peter; A.C.A., 1958; (S. 1949); (†Whinney, Smith & Whinney) and (†Harold E. Clarke & Co), 4B Frederick's Place, Old Jewry, London, EC2; and at Birmingham; also at Blackpool, Leeds and Manchester, (†Whinney, Smith & Whinney).
Goldhill, Stanley; A.C.A., 1957; 25 Wren Avenue, Cricklewood, London, NW2.
Hanson, David John; A.C.A., 1957; (Webb, Hanson, Bullivant & Co), 90 Deansgate, Manchester, 3.
Hillel, David; A.C.A., 1959; (D. Hillel & Co), 5 Parkway, Temple Fortune, London, NW11.
Hopes, Clifford Byles; A.C.A., 1958; (S. 1956); 164 Chadacre Road, Stoneleigh, Ewell, Surrey.
Hubbard, John Maurice; A.C.A., 1958; (S. 1948); (Fox & Co), 14 King Street, Leicester.
Hurst, Joseph Gerard, Junr.; A.C.A., 1953; (†McClelland, Moores & Co), Century Buildings, 31 North John Street, Liverpool, 2, and at London.
Johnson, Colin Stuart; A.C.A., 1959; (C. S. Johnson & Co), 1/2 Great Winchester Street, London, EC2.
Kenworthy, Edward Langhorne; A.C.A., 1932; (Abbott, Deeley, Hill & Co), Sun Building, Bennetts Hill, Birmingham, 2, and at London.
Lambert, Michael Anthony; A.C.A., 1959; (Alfred Laban, Son & Co), 25/27 Oxford Street, London, W1, and at Harrow.
Lewis, Edward Thomas; A.C.A., 1959; (Mellors, Basden & Co), Portland House, 73 Basinghall Street, London, E.C.2.
Marks, Milton Maurice; A.C.A., 1959; (Fisher, Sassoon & Co), Havinden House, 71 Baker Street, London, W1, and at Petts Wood.
Monod, Kenneth Alexis; A.C.A., 1955; (Brewster & Brewster), Upton Chambers, 12 Upton Road, Watford, Herts.
Morphew, John Bernard; A.C.A., 1959; Stafford House, Churchfields, Broxbourne, Herts.
Phillips, Edgar; A.C.A., 1958; 27 Sabrina Road, Wightwick, Wolverhampton.
Ravensdale, Robert Cyril; A.C.A., 1958; (S. 1954); (H. R. Horne & Partners), 42 Friar Gate, Derby.
Rowlinson, Donald Herbert; A.C.A., 1959; (Gerald Braunton, Jacobs & Co), 70 Bath Road, Wolverhampton.
Scutt, Derek George; A.C.A., 1959; (Penfold, Champ & Meyler), 2 Marlborough Place, Brighton, 1.
Staggs, Henry Frederick; A.C.A., 1958; (S. 1952); 29 Ainsley Avenue, Romford, Essex.
Stansfield, John Philip; A.C.A., 1958; (Moss & Williamson), Booth Street Chambers, Ashton-under-Lyne.
Stephenson, Rowland Ernest; A.C.A., 1958; (S. 1955); (Stephenson & Co), 2nd Floor, Bristol & West House, Post Office Road, Bournemouth.
Stone, Gilbert Seymour; A.C.A., 1938; 6 Deanery Mews, London, W1.
Thurgood, Douglas Ceal; A.C.A., 1959; (Begbie, Robinson & Co) and (H. L. Thurgood & Co), 16 St Albans Road, Watford, and at London and Tonbridge.
Varcoe, Brian Richard; A.C.A., 1959; (Brooke-Smith & Co), 80 Whiteladies Road, Clifton, Bristol, 8.
Wedge, Bryan Kenneth; A.C.A., 1959; (John Flay & Co), Bank Chambers, Bank Street, Worcester.
Weisberg, Michael David; A.C.A., 1956; (Fisher, Sassoon & Co), Havinden House, 71 Baker Street, London, W1, and at Petts Wood.
Whinney, John Anthony Perrot; A.C.A., 1956; (†Whinney, Smith & Whinney) and (†Harold E. Clarke & Co), 4B Frederick's Place, Old Jewry, London, EC2, and at Birmingham; also at Blackpool, Leeds and Manchester (†Whinney, Smith & Whinney).
White, Fred; A.C.A., 1958; (S. 1955); (Greenhalgh, Sharp & Co), 30 Brown Street, Manchester, 2.

Readmissions to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was readmitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following readmissions, made at the Council meetings on July 1st and October 7th, 1959, subject to payment of the amount required, had become effective:

Cooper, Mark Garnett, A.C.A., c/o Gardners (Bristol) Ltd, 14–16 Queen Square, Bristol, 1.
Renaut, Derek Anthony, A.C.A., c/o Giffen, Hills & Carruth, 8th Floor, Bank of America Building, Fresno, California.
Simmonds, Geoffrey Emanuel, A.C.A., c/o Willetts, Berge & Co, 212 Barry Building, Edmonton, Alberta, Canada.
Slod, Alexander Basil, F.C.A. (A. Slod & Co), 32 Allenby Road, Tel-Aviv, Israel.
Tawakol, Abdel Hamid, A.C.A., 28 Soliman Pacha Street, Cairo, Egypt.
Varwell, John Browning, A.C.A., 65 Leylands Road, Burgess Hill, Sussex.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Bregazzi, Ronald Alexander to Bradley, Ronald Alexander.
Goldberg, Stanley to Goldhill, Stanley.
Smith, Geoffrey Maitland to Maitland Smith, Geoffrey.

Resignations

The Council accepted the resignations from membership of the Institute of:

Pearce, Stanley; (1958); F.S.A.A., 1927; (A.S.A.A. 1914); 43 Sandhurst Avenue, St Annes-on-Sea.
Sherlock, William Nowlan; A.C.A., 1908; Director and Secretary, Birmid Industries Ltd, Birmid Works, Dartmouth Road, Smethwick, Staffs.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Charles Comer Heywood, A.C.A., Disley, Cheshire.
" Hedley Frederic Ingram, A.C.A., Nottingham.
" Mark Lofthouse, A.S.A.A., Stratford-on-Avon.
" Norman Midgley, A.C.A., Leeds.
" Alfred George Robinson, A.S.A.A., Victoria, Australia.
" Thomas William Sly, T.D., A.C.A., Hounslow.
" Raymond Steyn, F.S.A.A., Johannesburg.
" Hubert Edward Wright-Anderson, A.C.A., London.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on October 7th, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of the Institute was in May 1959 at Bow Street Magistrates Court convicted on a charge that being the liquidator of a limited company he failed to send to the Registrar of Companies a statement relating to the position of the liquidation of that company contrary to Section 342 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that John Charles Skett, A.C.A., was at the Criminal Sessions held in Her Majesty's High Court of Tanganyika at Dar-es-Salaam convicted on a charge of doing grievous harm with intent to do grievous harm contrary to Section 222 (1) of the Penal Codes, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against John Charles Skett, A.C.A., had been proved and the Committee ordered that John Charles Skett, A.C.A., be excluded from membership of the Institute.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Dublin on Thursday, October 29th, 1959.

The President, Mr D. McC. Watson, was in the chair, and there were also present Messrs G. E. Cameron, *Vice-President*, H. E. A. Addy, John Bacon, Mervyn Bell, A. S. Boyd, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson and James Walker, with the *Secretary* and the *Joint Secretary and Treasurer*.

Apologies for absence were submitted from Messrs G. A. P. Bryan, N. V. Hogan and G. F. Klingner.

Death

The death on September 25th, 1959, of Mr Robert Bell, F.C.A., of Belfast, a member of the Council since 1957, was noted with deep regret. Mr Bell was co-opted to the Council of the Institute under the Scheme of Integration, having been a member of the Council of The Society of Incorporated Accountants since 1940 and, for thirty-four years, a member of the Council of the Society's Irish Branch. He was President of the Irish Branch on two occasions.

Membership

The following candidates who were successful at the examinations in May 1959 were admitted to membership as Associates not in Practice:

Behan, John (Tuam, Co. Galway).
McCleary, Paul John (Dublin).

One application for re-instatement as an Associate was acceded to.

Associateship in Practice

The following Associates were admitted to practice:

McMorrough, Dermott James (Dublin).
Power, Declan Cecil (Dublin).
Smithwick, Thomas Fergal (Dublin).
Tempany, Maurice (Dublin).

Articles of Clerkship

An application for permission to spend the final months of a five-year term of articles in an industrial organization was rejected.

Amendment of Bye-laws

Approval was given to a draft resolution for amendment of the Bye-laws to give effect to the proposed changes in the Institute's examination system.

Cheques Act, 1959

It was noted that a memorandum had been sent to all members of the Institute in the Republic of Ireland in connection with the Cheques Act, 1959, which came into force in the Republic on October 28th.

Library Facilities in London

It was reported that the Council of The Institute of Chartered Accountants in England and Wales had agreed to permit the use of its library at Moorgate Place, London, EC2, for reference and for borrowing, by members of the Irish Institute in London.

Disciplinary Action

The Council received a report of the findings and decisions of the Disciplinary Committee at a meeting held on October 29th, 1959.

The Committee found proved formal complaints preferred by the Investigation Committee against two members to the effect that each of these members had

failed to pay his subscription for the year 1959 within the period prescribed by the Bye-laws.

The Committee ordered that the two members be excluded from membership of the Institute.

DINNER IN DUBLIN

As briefly reported in our last issue, Mr D. McC. Watson, LL.B., F.C.A., President of The Institute of Chartered Accountants in Ireland, presided at a dinner of the Institute held at *The Gresham Hotel*, Dublin, on October 28th.

Among the guests present were: Mr John Lynch, T.D., Minister for Industry and Commerce; Councillor P. A. Brady, T.D., Lord Mayor of Dublin; Mr E. P. Haslam, Chairman of the Revenue Commissioners; Mr O. J. McWilliams, Chief Inspector of Taxes; Mr Thomas Lister, M.A., C.A., President, The Institute of Chartered Accountants of Scotland; Mr C. U. Peat, M.C., M.A., F.C.A., President, The Institute of Chartered Accountants in England and Wales; Mr William Jackson, F.A.C.C.A., President, The Association of Certified and Corporate Accountants, and Mr F. M. W. Hird, A.C.A., F.C.W.A., Vice-President, The Institute of Cost and Works Accountants.

Replying to the toast 'Prosperity to Ireland', proposed by Mr E. C. Micks, S.C., the Minister for Industry and Commerce, Mr Lynch, referred to the important role of the accountancy profession in the promotion of the national well-being and said that members of the Institute could play a particularly useful part in encouraging the investment of capital in Irish industry.

Education and Training

Proposing the toast of 'The Institute of Chartered Accountants in Ireland', Mr Peat spoke of the similarity in the problems with which both the Irish and English Institutes are faced, and referred to the Policy Committee of the Irish Institute which had been set up to consider future developments. Dealing with education and training he said that he understood that the Institute's Education Committee had recommended major changes in the examination system, the most important being the substituting of yearly examinations for the present Intermediate and Final examinations. This recommendation had, he believed, been accepted by the Council and he expressed the hope that 'we shall hear all about it in the near future'. He added that the English Institute had set up an important committee to study education and training and the system of examinations was very much under review. At a recent meeting of students he had found a strong feeling that the examinations should be spread more evenly over the period of articles and this suggestion would have the closest attention. Mr Peat continued:

'We live in a rapidly and violently changing world. Electronics will in the course of a few years materially change accounting systems. Competition from European countries and Russia will, I believe, become more intense and these matters will affect you in the same way as they will affect us. I believe the future will demand a better trained and more highly skilled accountant who will be able to supply more intelligent checks than those at present necessary under our out-of-date Companies Act, which I see is going to be reviewed by the Government. The "end product" which we are going to try and produce as a qualified chartered accountant must be able to take his or her part in an industrial era of work study and management accounting.'

Success of Integration

Responding to the toast, Mr Watson spoke of the success of integration in Ireland, success which could be measured by the fact that although integration was such a recent event the members generally had forgotten about it and only occasional administrative questions served to remind the Council that it ever took place. One of the consequences of the merger had been the establishment of the Chartered Accountants' Joint Standing Committee and of this he said:

'We in Ireland welcomed the setting up of that Committee with the opportunities it offers of making, maintaining and developing contacts with our sister Institutes in England and Wales and in Scotland and we shall certainly continue to give it our whole-hearted support in its consideration of problems of general interest to the profession.'

In a review of some of the important developments which have taken place in the Institute during his membership of the Council, Mr Watson mentioned first the election to the Council, under the Bye-laws of 1955, of a certain number of non-practising members. 'The Council,' he said, 'is well pleased with the results of that change and recognizes how much our members in industry and commerce contribute to its deliberations.'

On the subject of education for the profession, Mr Watson paid tribute to the education committees of the district societies for their help to the Institute in organizing and overseeing classes in Belfast and Dublin which are designed to assist students in preparing themselves for the Institute examinations. Outlining the proposed changes in the Institute's examination system he said:

'We cannot claim to be the initiators in this change as our friends in Scotland have already adopted the idea of annual examinations coupled, as you know, with a plan for an academic year during indentures. This plan is something we have not yet got round to, but our new scheme is so arranged that an academic year could be introduced at some future date should this be possible or desirable.'

In conclusion, Mr Watson dealt with the problem of recruitment for the profession and said that practising members of the Institute in Northern Ireland were experiencing difficulty in obtaining an adequate supply of articled clerks, a position which no doubt resulted from the greater competition from industry in the north. He hoped that the publication early next year of a career booklet which has been approved by the Council would go some way towards solving the difficulty by making more widely known the opportunities available to the qualified accountant.

The toast of 'Our Guests' was proposed in a happy speech by Mr G. E. Cameron, F.C.A., Vice-President of the Institute, and the Lord Mayor of Dublin and Mr J. E. Forde responded.

An informal toast to Mr Watson was proposed by the immediate past-President, Mr James Walker, C.B.E., F.C.A., and Mr Watson replied.

THE WORK OF THE INSTITUTE

South Eastern Society of Chartered Accountants' Dinner in Brighton

A dinner of the South Eastern Society of Chartered Accountants was held in Brighton on November 6th with the President of the Society, Mr W. T. Hunter, M.B.E., F.C.A., in the chair. Over 350 members and guests attended and were received by Mr Hunter, together with Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales.

Responding to the toast of the Institute, proposed by Mr R. C. Pascoe, J.P., Mr Peat spoke of the problem of the 'small firm and the small client' saying that, except in special cases, the sole practitioner was in great difficulty if he fell ill and the fact that he was alone made it difficult for him to specialize. Mr Peat added: 'I wonder if we shall ever be able to arrange for the larger firms to assist their smaller brethren without prejudice to either?'

Expansion of Activities

Mr Peat went on to refer to the work of the Institute and stated that at the present time the total staff numbered eighty-seven compared with forty-three before integration and eighteen before the last war. He continued:

'When we had a staff of eighteen the membership of the Institute was 13,000. It had risen to 20,000 prior to integration and is now 32,000. A great deal of the Institute's work is necessarily proportionate in volume to the number of members and therefore even on membership figures alone one could assume the need for an increase from eighteen in 1939 to about forty-five today but the mere weight of numbers is greatly overshadowed by the tremendous expansion in the activities of the Institute. Many members of the Institute probably do not realize the extent of this expansion.

'First and foremost we have the entry of the Institute into the technical field which has meant an enormous amount of work for the Parliamentary and Law Committee and the creation of the Taxation and Research Committee without whose assistance the Council would never have been able to publish the large quantity of technical material which is now available for the assistance of members.'

There were also, said Mr Peat, the annual summer course – 'a vital and popular post-war development' – the work in connection with the P. D. Leake Trust, and the activities in conjunction with other bodies: in particular, the Accountants' Joint Parliamentary Committee, the Chartered Accountants' Joint Standing Committee and the Joint Standing Committee of the Universities and the Accountancy Profession – the Secretary of the Institute being the secretary of all these joint committees.

The President stated that although the main impact of the unbelievable volume of integration work was now over there was still a fair amount of internal administrative work to complete and of course it would not be until the examinations of the Society had come to an end that the special work arising out of the scheme of integration would finally cease. He continued:

'Leaving integration aside, I can perhaps give some idea of the extent of the day-to-day work if I mention briefly the standing committees responsible for the Institute's activities. Many of those present will probably have some appreciation of the staff and paper work required to enable any committee to function.

'The two major committees are the General Purposes Committee and the Parliamentary and Law Committee. Other important committees are the Overseas Relations Committee, which for some years has had a very active life either assisting in the development of the profession in other countries or in protecting the interests of United Kingdom accountants overseas; the Investigation and Disciplinary Committees concerned with the conduct of members and articled clerks; the Examination Committee and the Articled Clerks Committee which are both concerned with students; the Applications Committee concerned with admissions to membership, applications for fellowship, commencement of practice, readmissions to membership and other matters; and the Finance Committee concerned not only with the growing volume of Institute finance but also with the various trusts which the Institute has created in recent years.

'Then there are the committees which meet less frequently than the foregoing but are none the less important in their own spheres. These are the District Societies Committee, the Library Committee, the Summer Course Committee and the P. D. Leake Committee. Finally there are the joint committees with other bodies which I mentioned earlier.

Two Special Committees

'Not content with all this the Council has recently set up two special committees concerned with matters which are vitally important to the Institute. First the Education and Training Committee to examine the whole system of training for the profession and more recently the Technical Activities Committee to undertake a complete review of our activities and objectives in the technical field. Both these special committees are involving the staff in extensive additional work.

'No praise is high enough for Mr MacIver and his staff, and I should like to pay my personal tribute to Mr MacIver for his quiet and kindly assistance and competent direction of affairs.'

The toast of 'Our Guests' was proposed by Mr R. McNeil, F.C.A., and Mr Grant Currie responded.

Reference to the great activity in the Society, which is now split into two branches, was made by Mr Hunter in his response to the toast of the Society proposed by Mr T. Parris, C.B.E. Mr Hunter referred to the work of the two chairmen – Mr G. W. Davis, F.C.A., and Mr A. S. Watson, F.C.A. – and the three secretaries – Messrs D. H. Tonkinson, F.C.A., L. A. Jarvis, A.C.A., and T. T. Nash, A.C.A. He expressed a special word of thanks to Mr Nash for his work in arranging the dinner.

BRISTOL CHARTERED ACCOUNTANTS' DINNER AND DANCE

A dinner and dance of the Bristol and West of England Society of Chartered Accountants was held at *The Grand Hotel*, Bristol, on November 5th. Mr F. J. Weeks, A.C.A., President of the Society, presided, and among those present were Councillor W. G. Cozens and Mrs Cozens, Lord Mayor and Lady Mayoress of Bristol; Dr A. M. MacLachlan, Sheriff of Bristol, and Mrs MacLachlan; Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales; and

Mr C. A. Evan-Jones, M.B.E. (*an Assistant Secretary of the Institute*); Mr G. Hanby (*Chairman, Bristol and District Branch, Institute of Cost and Works Accountants*), and Mrs Hanby; Mr J. H. Hickson (*Chairman, Bristol and District Branch, Chartered Institute of Secretaries*), and Mrs Hickson; Mr P. H. Luker (*H.M. Principal Inspector of Taxes*), and Mrs Luker; Mr D. H. Phillips (*President, Bristol Incorporated Chamber of Commerce and Shipping*), and Mrs Phillips; Mr D. Richardson-Jones, M.B.E. (*President, Bristol and District Society, The Association of Certified and Corporate Accountants*), and Mrs Richardson-Jones.

Guidance from the Accountant

The Lord Mayor, replying to the toast of 'The City and County of Bristol' proposed by Mr Weeks, said that Bristol had a long pioneering tradition and they had cause to be proud of the city. The Lord Mayor also proposed the toast of 'The Institute of Chartered Accountants in England and Wales', saying that the position of the accountant in all undertakings – professional and commercial alike – had never been so important as it was today. He added: 'I believe that this trend will continue, since the complex nature of our economy is such that the help and guidance of the trained mind of an accountant is essential at every turn.'

Responding to the toast, Mr Peat said:

'On an occasion like this, with ladies present, and a dance in prospect, I don't think it would be proper to belabour you with a heavy speech about Institute matters.

'May I report briefly on the Institute in which you are interested directly or indirectly, because we, as accountants, enter all your lives in one way or another.

'We are entering a phase of change in our methods and extension of the services we render. The times we live in change and we must change with them, if we don't adjust ourselves our place will be taken by others. The steady growth of the Institute is a sign of its virility. We on the Council want all the support we can get from every member of the Institute in our forward progress. Our American colleagues are taking the same line but as one might expect, much more seriously. They are counselling their members to develop "a pleasant personality, proper respect for the accepted social graces, a neat appearance, etc.". From a glance round the room the men present seem to have all these social graces and are immaculate in their attire, but if you ladies know of any backslider in the social graces, please take immediate action. I know I can rely on you! (*Laughter.*)

'Apart from my last remarks, I am most serious. As a profession we must serve our clients or our employers in industry with the greatest efficiency and we on the Council are working very hard to help all our members, but we in turn need their interest and constructive assistance.'

Beds, Bucks and Herts Group's ONE-DAY CONFERENCE

Some eighty members attended the second one-day autumn conference of the Beds, Bucks and Herts Group of the London and District Society of Chartered Accountants held at Harpenden Public Hall, on Monday, October 19th. The Chairman of the Group, Mr T. R. Keens, F.C.A., presided, and Mr J. D. Russell, M.A., F.C.A., Chairman of the District Society, was also present. In his opening remarks, Mr Keens announced that the group was shortly to be granted branch status.

The general theme of the conference this year was 'The presentation of the accounts of limited companies'. Mr C. W. Aston, A.C.A., a general manager of P. & O. Steamship Navigation Co, opened the proceedings by initiating a discussion on good form in the annual document sent to shareholders. Illustrating his views with samples from his own and other companies, Mr Aston emphasized the need for simplicity and the judicious use of colour and charts. Curious results were to be expected, he said, if the final presentation was left too much in the hands of the public relations department rather than to the accounts department and its financial advisers.

Mr G. A. Cherry, A.C.A., of Messrs Price Waterhouse & Co, reviewed the treatment of balance sheet and profit and loss items. Commenting on the arguments for and against the disclosure of turnover, he suggested that in many cases this figure would have little significance by itself. On stocks, a statement that they were valued by the directors, apart from giving little protection to the auditors, might suggest that the directors were not responsible for the other figures in the accounts.

After luncheon, five groups had lively discussions on the morning addresses and, at a final session under the chairmanship of Mr H. L. Layton, M.S.M., F.C.A., a member of the Council of the Institute, group leaders reported on their meetings and put questions to the speakers.

District Society's First Branch

The Group, which was formed in April 1958, is shortly to be constituted as the first branch of the London and District Society. The draft constitution has been approved by the Council of the Institute and the new branch will be inaugurated by the President, Mr C. U. Peat, at a luncheon meeting at *The George Hotel*, Luton, on Wednesday, December 9th. Mr J. D. Russell, the district society chairman, will also address the meeting.

Any members of the Institute – particularly those residing in the area but working in London whose private addresses do not appear in the *Red Book* – who may not have received notice of this matter, are asked to write to the honorary group secretary, Mr E. John Frary, A.C.A., 26 Victoria Street, Luton, Beds.

Notes and Notices

NATIONAL SERVICE DEFERMENT

The Ministry of Labour and National Service has varied the recently announced deferment regulations (see *The Accountant*, October 3rd, page 273). Articled clerks (other than former bye-law candidates of the Society) who do not pass the Intermediate examination within four years of the commencement of their service will now in all cases be allowed to finish their articled service, irrespective of the date on which such service will end.

The May 1960 examinations edition of the booklet *General Information and Syllabus of Examinations* which will shortly be available from the offices of The Institute of Chartered Accountants in England and Wales will contain the full regulations as now revised.

PERSONAL

MESSRS HARDESTY, GAYMER & Co, of 64 South Street, Chichester, announce that as from November 1st, 1959, they have changed their name to CHIDELL, GAYMER & Co on the admission of Mr PAUL D. A. CHIDELL, A.C.A., as a partner.

MESSRS CREW, TURNBULL & Co, Chartered Accountants, of London and Luton, announce that they have taken into partnership as from November 1st last, Mr R. D. LAWRENCE, A.C.A., who has been with the firm for some years.

MESSRS A. F. FERGUSON & Co, Chartered Accountants, Registered Accountants, of Karachi and Lahore, Pakistan, announce that as from November 1st, 1959, they have admitted into partnership Mr FOIZUL ALAM, A.C.A., R.A., who was previously an assistant in the firm.

MESSRS COOPER BROTHERS & Co, Chartered Accountants, and MESSRS CARTER & Co, Chartered Accountants, announce that as from January 1st, 1960, they have agreed to amalgamate their practices in Birmingham. The combined practices will be carried on for the time being in the names of COOPER BROTHERS & Co and CARTER & Co from the present offices at 38 Bennetts Hill, Birmingham, 2, and 8 Greenfield Crescent, Edgbaston, Birmingham, 15.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A luncheon meeting of the London and District Society of Chartered Accountants will be held at the Connaught Rooms, Great Queen Street, London, WC2, on Monday, February 15th, at 12.30 for 1 p.m., when The Rt. Hon. Viscount Simon, C.M.G., chairman of the Port of London Authority, will be the guest speaker.

CHARTERED ACCOUNTANTS APPOINTED TO COMMITTEE OF INQUIRY

Mr C. I. R. Hutton, B.A.(OXON.), C.A., a partner in the firm of McClelland Moores & Co, Chartered Accountants, and Mr S. J. Pears, C.A., senior partner in the firm of Cooper Brothers & Co, Chartered Accountants, are members of a committee of six appointed by the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland to examine current methods of fixing payment to distributors of liquid milk. The chairman of the committee will be Sir Guy Thorold, K.C.M.G.

REGISTRY OF BUSINESS NAMES

The Board of Trade have announced that in order to provide space at Bush House required for the expansion of the work of the Companies Registration Office, it has become necessary to move the Registry of Business Names from that address.

As from November 9th, 1959, the Registry of Business Names will be at Room 253, Lacon House, Theobald's Road, London, WC1 (Telephone: Chancery 4411, ext. 68). The most convenient entrance is in Harpur Street, off Theobald's Road, and the office is on the second floor.

IN PARLIAMENT

Income Tax: School Fees

CAPTAIN PILKINGTON asked the Chancellor of the Exchequer whether, in order to encourage higher education wherever possible, he will take steps to relieve the burden of taxation on parents paying school fees.

Mr AMORY: I have noted my hon. and gallant friend's suggestion, but I cannot anticipate my Budget statement.

CAPTAIN PILKINGTON: Will my right hon. friend agree that action such as this would make university education available to many more people?

MR AMORY: There was a very considerable increase in the income tax personal allowances made by my predecessor in the 1957 Budget.

MR CHETWYND: Are we to understand from the Chancellor's statement that he has gone into voluntary purdah rather earlier this year?

MR AMORY: The season does seem to be opening a little early.

Hansard, Nov. 3rd, 1959. Oral Answers. Col. 851.

Post-war Credits

MR SWINGLER asked the Chancellor of the Exchequer if, in view of the danger of growing unemployment this

winter and the need to expand the home market, he will now consider extending the provisions for the repayment of post-war credits.

MR CHETWYND asked the Chancellor of the Exchequer whether he will now extend the payment of post-war credits to the long-term sick and unemployed.

MR MANUEL asked the Chancellor of the Exchequer if he will now consider the payment of post-war credits to people who have had long periods of sickness and unemployment.

MR AMORY: As was promised when the Post-war Credits Act, and the Regulations made under the Act, were before the House earlier in the year, I am noting the various suggestions made for further payment of post-war credits, but I cannot make any statement at present.

Hansard, Nov. 3rd, 1959. Oral Answers. Col. 851.

MANAGEMENT ACCOUNTING WITH A COMPUTER

The President of The Institute of Cost and Works Accountants, Mr Edward Emmerson, A.C.A., F.C.W.A., yesterday opened a week-end seminar arranged by the Electronics Committee of The Institute of Cost and Works Accountants at *The Randolph Hotel*, Oxford.

The seminar, which has as its title 'Management accounting with a computer', is designed to provide an opportunity for cost accountants with a knowledge of data processing techniques to exchange ideas and knowledge on the subject. Mr John Diebold, of John Diebold & Associates Inc., of New York, is guest chairman and will give an address. Members attending have been divided into three groups to discuss the following aspects of the subject – 'Recognition of the possibilities', 'Investigation and planning', and 'Installation and operation'.

1959 BUDGET POSTER

Facts about the United Kingdom's taxes and spending are shown at a glance in the Budget poster for 1959, issued last Tuesday by the Treasury. The poster, the tenth of its kind, gives – in millions of pounds and as a breakdown of £1 into shillings and pence – the chief items of revenue and expenditure proposed in the Budget last April. A quarter of a million posters have been printed and they will be sent out all over the country to offices and factories, schools and libraries, and clubs, institutes and Post Offices.

The poster indicates that of every £1 of Budget revenue that the Government proposes to collect in 1959–60, 10*s* 6*d* will come from taxes on income and capital, including 6*s* 4*d* from income tax and surtax on persons, and 8*s* 8*d* will come from taxes on people's spending, including 2*s* 10*d* from tobacco, 1*s* 9*d* from purchase tax, 1*s* 5*d* from alcoholic drink, and 2*d* from entertainments, television and betting. Of every £1 that the Government proposes to spend, 8*s* 2*d* will go on social services, subsidies, etc., 5*s* 8*d* on defence, and 2*s* 5*d* on interest on the national debt.

FINANCIAL TECHNIQUES FOR MANAGEMENT

A two-day course on 'Financial techniques for management' is to be held at *The Queen's Hotel*, Stephenson Place, Birmingham, 2, on November 19th and 20th.

The course is designed to illustrate the applications of financial techniques including movement of funds, return on capital expenditure and profitability ratios. Speakers will be Mr Arthur W. H. Lamond, B.L., C.A., F.O.M.A., M.B.I.M., Mr Alan Kenyon, B.COM., F.C.W.A., A.A.C.C.A., and Dr James M. S. Risk, B.COM., PH.D., F.B.I.M. The fee for the course is fifteen guineas and reservation forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

NORTH LONDON DISCUSSION GROUP OF CHARTERED ACCOUNTANTS

The next meeting of the North London Discussion Group of Chartered Accountants will be held next Wednesday at *The Russell Hotel*, Russell Square, London, WC1, at 6 p.m. for 6.30 p.m. An Inland Revenue solicitor will lead the discussion on 'The work of the Inland Revenue Solicitor's Department'.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 5.30 p.m., at the Institute: Lecture on 'Unit trusts', by Mr Edward du Cann, M.P., managing director, Unicorn Securities Ltd. Chairman: Mr J. A. Jackson, F.C.A., vice-president of the Students' Society.

Tuesday, 5.30 p.m., at the Institute: Debate on the motion 'Modesty is out of date'.

6.15 p.m., at Bedford: Lecture on 'Practical aspects of bankruptcies and liquidations', by Mr T. A. Parry, A.C.A.

Wednesday, Visit to Lloyds Bank (limited number).

5.30 p.m., Film and demonstration of punched-card accounting (limited number).

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'Bankruptcy, liquidation and receivership', by Mr A. C. Staples.

7. p.m., at Reading: Lecture on 'Budgetary control and standard costing', by Mr D. Garbutt, A.C.I.S., A.C.W.A.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'Income tax – general introduction', by Mr J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S., and 'The law of agreements and damages', by Mr A. C. Staples.

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CONTENTS

Commonwealth Currencies

OF the ten sovereign, independent states of the Commonwealth, Canada, Ceylon and India operate a system of decimal coinage. Another, South Africa, will make the change-over early in 1961 and Australia and New Zealand are actively contemplating the possibility. The conversion of the latter country may be expedited by the comprehensive report which a special investigating committee, set up in 1957, has recently submitted to the MINISTER OF FINANCE and which was referred to briefly in our issue of three weeks ago.

In recommending a system of decimal coinage for New Zealand (by a majority of eleven to one) the committee states that the benefits, which would far outweigh long- and short-term disadvantages, would include the simplicity of reckoning and teaching in decimals instead of in pounds, shillings and pence; the saving in the cost of accounting machinery; and the speeding up of accounting processes. The only significant disadvantage, in the view of the committee, is that a decimal system has 'less divisibility', the units 12 and 240 having more factors than have 10 and 100. It states, also, that a change to decimals would cause some initial confusion and that the costs would be high, but careful planning, and the spreading of the costs of the change-over over the longest possible period, would enable these difficulties to be overcome.

Perhaps the most valuable section of a closely reasoned and clearly expressed report is that appraising the various suggested decimal systems. The committee gives six excellent rules to be observed in selecting the most suitable. These are – that it should be as simple as possible; that as simple a relationship as possible should exist between the proposed decimal and the existing coinage system; that there should be a satisfactory compromise between a high major unit and a small minor one; that the maximum number of existing coins should be retained, preferably at their present value; that the maximum use must be made of existing machinery; and that the system adopted should present the least difficulties during the change-over.

Having taken all these factors into consideration, and like South Africa, but unlike the weight of opinion so far recently expressed in the United Kingdom, favouring the retention of the £ as the basic unit, the New Zealand committee recommends that the new currency should be graded upwards and downwards from 10*s*. By so doing, all the existing silver coins could be used at their same values, their new denominations being 25, 20, 10, 5 and 2½ cents. New notes of 100, 20, 10 and 2 units and of 1 unit would

have to be printed and two bronze coins of 1 cent and ½ cent, equivalent to 1·2 and ·6 of the existing penny would have to be minted. Serious consideration is given in the report to the merits of an 8*s* 4*d* unit which would entail retaining, and building the currency upwards from, the present penny; but while the simplicity of finding the equivalent of small amounts commends itself, the conversion of large sums under such a system (converting them to pence and then decimalizing the answer) would be tediously impracticable.

While the Government and people of New Zealand are digesting the contents of this able report, the citizens of South Africa, in anticipation of the change-over to decimal coinage on February 2nd, 1961, are meanwhile facing up to practical problems which will have to be solved to ensure that the transition will be made with smoothness. The new currency in that country will correspond closely to that proposed by the New Zealand committee. The principal unit, the Rand (10*s*), will be equal to 100 cents and the only immediate changes to the existing silver coinage will be that a 50 cent (5*s*) piece will be minted and the half-crown will be discontinued. Also, two new bronze coins worth, by the old reckoning, 1·2*d* and ·6*d*, will be minted.

The Decimal Coinage Commission which studied the question from 1956 to 1958 before reporting to the South African Government, estimated that the expense of converting upwards of 130,000 machines (among them 60,000 adding and accounting machines, 25,000 electric petrol pumps, 20,000 cash registers, 19,000 price computing scales and 5,000 franking machines) would be over £6·5 million and that compensation and other costs would increase the Government's liability to around £9 million. The Opposition, when the motion was being debated in the South African Parliament, reckoned that the cost to the community as a whole would be between £30 million and £40 million.

How the commission's calculation was made and something of the trading and accounting consequences of the change-over are given in articles of the June and September issues of our contemporary, *The South African Accountant*, by DR BARRY S. WIEHAHN, C.A.(S.A.), M.B.A., D.B.A., who acted as cost and technical consultant to the commission. DR WIEHAHN lists a number of 'immeasurable costs to the country' some of which go towards accounting for the gap between the commission's estimate, as accepted by the Government, and that of the Opposition. These intangibles include the extra mental concentration required by shoppers faced with buying goods in a strange currency. To minimize this strain, shopkeepers are being asked to mark goods clearly in both currencies for some time before the change-over so as to accustom the customer to the impending new system. This, however, does not eliminate the expenditure of mental effort. It simply transfers it to the trader and, incidentally, adds to his overheads.

Indeed, it appears that in any change of such a nature, industry and commerce must expect to bear a substantial share of the transitional costs. There would, for example, be a tendency to replace adding and accounting machines before their effective life was ended so as to be fully geared for the new system. Another real but immeasurable cost would be the loss incurred in scrapping £ *s* *d* office books and stationery, catalogues, price tickets and, in certain cases, punched cards. Much of the information already stored in electronic computers would also have to be revised. No one doubts, however, that although these and other items would add up to a considerable sum, a country with a progressive economy should be able to absorb them comfortably and the exercise on which South Africa will embark in 1961 will be watched with interest by the few remaining members of the Commonwealth as yet 'unconverted'.

Principal among these, of course, is the United Kingdom which, as MR J. H. JAMES, Deputy Master and Comptroller of the Royal Mint, reminds us in the eighty-ninth annual report of that institution, recently issued, began to take an interest in decimalizing its coinage at least a century before the idea was implemented by the United States of America between 1786 and 1792. Since then, the problem of devising a decimal system which would retain both the penny and the pound has baffled four Royal Commissions. It cannot be too strongly emphasized that if this 'in for a penny, in for a pound' attitude is maintained indefinitely, the United Kingdom, alone among the nations of the Commonwealth if not of the world, will be the possessor of an archaic currency and that the economic consequences could be costly.

Surtax Direction

EFFECT OF DIVIDEND DISTRIBUTION

by T. J. SOPHIAN

WHAT is the effect of a distribution by way of dividend to a shareholder to whom a company's profits have been notionally apportioned in consequence of a surtax direction? This question raises a problem of some difficulty in cases where the amount of the dividend is more than the amount of the commercial profits which would have normally been available for dividend for the year or years in question, in respect of which the surtax direction has been made.

The recent case of *C.I.R. v. Hudspeth* ([1959] 2 All E.R. 752; 20 T.R. 197) affords a judicial solution of this problem. Before examining the facts of this case, it might be as well to consider the relevant provisions of the Income Tax Act, 1952, with regard to surtax directions on companies.

Section 245

Under Section 245 of the Income Tax Act, 1952, where a company to which that section applies has failed within a reasonable time after the end of the relevant period for which accounts have been made up, to distribute amongst its members a reasonable part of its actual income from all sources for the period in question, the Commissioners may make a surtax direction on the company.

The effect of this direction will then be that the company's income will, for the period in question as specified in the Commissioners' notice, be deemed to be the income of the members and the amount thereof will be apportioned among the members.

The apportioned income will then be assessed upon each member in the name of the company, there being deducted therefrom, however, the amount of any income which has already been distributed to him for the period in question.

It is not every company, of course, to which the above provisions apply. The company must come within the ambit of Section 256 of the Income Tax Act, 1952. It must be under the control of not more than five persons, and it must not be a subsidiary company, nor a company in which the public are substantially interested. 'Control' for the above purposes has a special meaning (see subsections (2) and (3) of Section 256).

Effect of Apportionment

The income will be treated as having been notionally received by the member on the date to which the company's accounts for the period in question have been made up. This date may be varied, however, if application is duly made to the Commissioners, who will then determine such other date as they consider to be just, having regard to the dates on which distributions of income have been made by the company and so as to avoid, as far as possible, the inclusion for surtax in any other year of income referable to more than one year (Section 249 (2) (*c*)).

The other consequences of such a notional apportionment on the making of a surtax direction are further dealt with in Section 249 of the Act, but particular attention must be drawn to subsection (5) of Section 249, since that subsection deals with the position where the company's income notionally distributed to a shareholder has been assessed and charged to surtax and subsequently an actual distribution of income is made by the company to the member concerned.

Effect of Subsequent Distribution

Subsection (5) of Section 249, so far as material, provides that the undistributed income which has thus been assessed and charged to surtax shall,

> 'when subsequently distributed, be deemed not to form part of the total income for the purposes of surtax of any individual entitled thereto'.

Furthermore, where a member of the company has been assessed to and paid surtax in the ordinary way on income, which has also been assessed and upon which surtax has been paid in consequence of a notional distribution under a surtax direction, he will be entitled to repayment of so much of the surtax paid by him as is attributable to the inclusion of the first-mentioned income in the total income. But for such a provision, a double assessment would result; that clearly is the object of subsection (5) and it is important to have this object in mind when considering the *Hudspeth* case.

Hudspeth's Case

To deal now with the facts in *Hudspeth's* case. In the years 1951 and 1952, a company had made net profits of £8,032 and £7,019, respectively (after provision for taxation of £8,563 and £7,947). The company distributed gross dividends for each of these years amounting to £2,300 and £2,500, respectively.

In 1955, a surtax direction was made on the company in respect of the years 1951 and 1952, the actual income from all sources being computed at £16,824 and £15,906, respectively, and a total sum of £7,820 was notionally apportioned to the taxpayer out of these two amounts. Subsequently the company distributed by way of dividend to the taxpayer an equivalent gross sum of £7,820 out of its profits for the same two years. The taxpayer thereupon claimed relief from surtax on the sum of £7,820 pursuant to the provisions referred to above.

The total amount actually available for dividend for the years 1951 and 1952, having regard to the actual commercial profit of the company with the addition of the profits tax repaid in consequence of the surtax direction was, however, less than the amount which had been treated as the company's total income for the purpose of the surtax direction.

The actual amount available for distribution by way of dividend to the taxpayer for the years 1951 and 1952 was £6,413, as compared with the gross dividend of £7,820 which had been distributed to him for those years. The question thereupon arose as to whether the taxpayer's claim for relief under Section 249 (5) had to be limited to the smaller sum. The Court held that the relief was to be so limited.

Grounds for the Decision

Now if one turns to the words of Section 249 (5), it will be noted that they provide that 'any undistributed income which has been assessed and charged to surtax' under Section 249 in consequence of a surtax direction, 'shall, *when subsequently distributed*, be deemed not to form part of the total income for the purpose of surtax' of the individual entitled thereto.

What the taxpayer therefore must prove in order to claim the benefit of Section 249 (5) is that the amount that he has received by way of dividend has been assessed and charged to surtax. He must show that the exact equivalent in amount has already been subjected to surtax. This construction is more in keeping with the whole object of subsection 5 which, as already indicated, is to avoid a double assessment.

If, therefore, the amount actually received by way of dividend is more than the amount actually available for distribution for the period in question, the dividend must, it seems, have necessarily been paid out of profits other than the profits for the period in question; and the fact that the amount of the dividend is within the amount treated for the purpose of the direction as the profits for the same period available for distribution, does not affect the position. As the Court put it:

> 'in this case a larger sum . . . has been received by the taxpayer from the company in the shape of dividends, and only part of that sum can be attributable or referable to the years in question, 1951 and 1952, and only that part of the sum which the taxpayer received which is referable to those years has already been subjected to and has borne surtax. So far as that part of the money which he has received from the company is concerned, the taxpayer is exempted from surtax or, at any rate, is not bound to bring it in in any return which he makes for the purposes of surtax. But as regards any money which he has received from the company which is not referable to those two years and has been derived by the company from some source other than the profits and gains of those two years, that is something which has not been assessed to surtax and has not borne surtax. Therefore in regard to that part of the amount the taxpayer is not entitled to any relief'.

Comment

While it may be that the whole object of subsection 5 is to prevent double taxation and to safeguard the taxpayer from paying surtax in respect of the same amount, yet it seems that the result of so holding is somewhat illogical. Perhaps the solution of the problem is to attack the original surtax direction itself, and the amount that has been treated for the purpose of the direction as constituting the whole amount of the company's income available for distribution. Otherwise the taxpayer, it seems, must always stand to lose. If a company is treated for the purpose of a surtax direction as having in one year an apportioned income of, say, £10,000 available for distribution to its member X., then the company, it would seem, must also be treated as having the exact sum of £10,000 available for actual distribution to that member.

If it should be subsequently found that only £9,000 in fact was available after actual distribution by way of dividend, then the amount apportioned, to be logical, must be regarded as wrong. The Revenue cannot have it both ways. It cannot both eat its cake and have it.

Holiday Accounting

CONTRIBUTED

THERE were three of us, a chartered accountant and two articled clerks. The general idea was to travel by car to Istanbul as quickly as possible, spend four or five days there and return via Skopje, Dubrovnik, Budapest and Prague.

As this would entail the use of ten different currencies it seemed only reasonable that the junior articled clerk should be given the important and responsible position of 'chief accountant'. We felt sure that the experience gained in keeping the 'joint venture' account would prove invaluable, and also that having passed his Inter. he would be able to get out draft accounts with only moderate supervision.

The accounts we kept were extremely simple and were based on experience gained by the chartered accountant on previous occasions. Each person recorded the following:

(1) Payments made by him on behalf of the party. These items subsequently to be credited to the respective personal accounts and debited to holiday account.

(2) Any rebates for unused currency, travellers' cheques, petrol coupons, etc. These receipts to be debited to the respective personal accounts and credited to holiday account.

(3) Exceptional expenditure of foreign currency for personal use (souvenirs etc.). Amounts converted into sterling at official tourist rate of exchange; personal accounts to be debited and holiday account credited.

The 'chief accountant' collected the records of receipts and payments and made the entries described above. The balance on holiday account, being the total cost of the holiday, was divided equally and transferred to the personal accounts. The balance on these accounts was then paid to, or received from, the 'chief accountant'.

The great advantage of this method is that there is no need to keep involved records of all expenditure, or for each person to keep his own currency separate. All currency – English, foreign, and travellers' cheques – is joint property from start to finish.

The accounts were audited by the chartered accountant and certified to be about right.

EXTRACTS FROM PERSONAL MEMORANDA

1.	*J.A.W.* £	*R.B.F.* £	*J.A.S.* £
R.A.C. – Car ferry etc.	23		
Petrol coupons – Yugoslavia	16		
Petrol coupons Czechoslovakia	5		
Hotel vouchers – Czechoslovakia		23	
Hotel vouchers – Bulgaria	6		
Foreign currency	18	50	100
English „	15	15	15
Expenditure on visas		5	
Petrol and car service	8		
	£91	£93	£115

2.			
English currency	18	20	
Petrol coupons – Yugoslavia	6		
Petrol coupons – Czechoslovakia	2		
Travellers' cheques etc.			58
	£26	£20	£58

3.			
Cigarettes		2	2
Souvenirs – Yugoslavia		2	3
„ Hungary	1		
„ Czechoslovakia	5		
	£6	£4	£5

HOLIDAY ACCOUNT

Expenditure		*Refunds*	
J. A. W.	91	J. A. W.	26
R. B. F.	93	R. B. F.	20
J. A. S.	115	J. A. S.	58
		Personal Expenditure	
		J. A. W.	6
		R. B. F.	4
		J. A. S.	5
		Inclusive Cost	
		J. A. W.	60
		R. B. F.	60
		J. A. S.	60
	£299		£299

PERSONAL ACCOUNTS

Dr.	*J.A.W.* £	*R.B.F.* £	*J.A.S.* £
Refunds	26	20	58
Personal expenditure	6	4	5
Cost of holiday	60	60	60
Balance due		9	
	£92	£93	£123
Cr.			
Expenditure	91	93	115
Balance payable	1		8
	£92	£93	£123

Estate Duty: Valuation of Shares in Private Companies–I

by IAN M. BOWIE, M.A., C.A.

THE value for estate duty purposes of shares in private companies has, with certain exceptions, to be determined like other property passing on death on the basis laid down in Section 7 (5) of the Finance Act, 1894, which reads as follows:

> 'The principal value of any property shall be estimated to be the price which, in the opinion of the Commissioners, such property would fetch if sold in the open market at the time of the death of the deceased.'

It is interesting to note that unlike taxation no further material legislation has been introduced since 1894, either to amend or to elucidate this fundamental basis of valuation except in the case of 'controlled' companies for which special legislation was first introduced in 1930. Since 1894, however, there have been numerous cases before the Courts, including in particular the more recent *Holt*[1] case, which give considerable help to executors and their professional advisers in interpreting the concise wording of the old 1894 Act.

Mr Ian M. Bowie

The Estate Duty Office acts for the Commissioners of Inland Revenue for the purpose of ascertaining the value of property passing on death and it is with this office that all affidavits and other documents are lodged and all negotiations take place. Section 10 of the Finance Act, 1894, gives executors the right of appeal against a determination by the Commissioners to the High Court or, if the value of the property is less than £10,000, to the County Court. Such an appeal, particularly to the High Court, is an expensive matter and I think the legislation would be improved if provision were made for an intermediary appeal body similar to the Special or General Commissioners in the case of income tax, to which appeals could be taken by the taxpayer at reasonable cost. I agree that in most cases satisfactory settlements are made with the officials of the Estate Duty Office, but executors have a natural inclination to avoid the cost, publicity and delay of High Court proceedings and may be inclined to accept a determination of the Commissioners which they would have disputed had a less formal and expensive appeal tribunal been available.

A paper presented at the Ninth National Taxation Conference at Folkestone on October 12th.

Minority Interests

The Finance Act, 1940, contains special legislation which applies to 'controlled companies' and in addition it introduced extremely complicated avoidance provisions relating to cases where the deceased had made a transfer of assets to a company. I propose to deal with these later as separate matters and to confine this section of my address to what can be generally called minority interests.

If we turn back to the basic definition it will be seen that there has to be ascertained '. . . the price which . . . such property would fetch if sold in the open market at the time of the death of the deceased'. In the case of shares in a public company having a stock exchange quotation no difficulty arises. Normally there is a clearly defined market in which such shares are bought and sold regularly, if not daily, and by established practice the value for estate duty purposes is taken as one-quarter up from the lower of the two closing prices quoted in the *Stock Exchange Daily List*. In the case of private companies, however, there is no such established market and no such register of prices. In fact the market in minority shares in private companies is very limited indeed and the number of arm's length transactions which take place is few. Moreover, I suggest that with the growing popularity of the stock exchange and the recent expansion in unit trusts, it is becoming increasingly difficult for the owner of a minority interest to find a buyer for his shares. However, the Act requires us to assume the existence of an open market and accordingly, to quote from the beginning of the judgment of Mr Justice Danckwerts in the *Holt* case:

[1] *In re Holt* (32 A.T.C. 402).

'The result is that I must enter into a dim world peopled by the indeterminate spirits of fictitious or unborn sales.'

General Principles

In this journey into the hypothetical open market so aptly described by Mr Justice Danckwerts, we are helped by a study of the case law which enables one to state certain general principles:

(1) In estimating the price in the hypothetical open market one has to assume that the shares are sold between a willing buyer and a willing seller and that after normal negotiations the two parties agree on a reasonable price in all the circumstances. It is important to note that this principle presupposes a commercial and not a theoretical approach to the valuation. Accordingly, if any arm's length transfers have taken place just prior to the death of the deceased they may give a guide to the estate duty value, but this will depend, *inter alia*, on the relative size of the holdings.

(2) The willing buyer must be considered to be a careful investor who would make all reasonable inquiries before making a bid.

(3) No particular person should be excluded from the category of willing buyer and not even one to whom the property has a special value. It does not, however, follow that the price such a person would pay is the correct price. It merely means that the presence of special buyers in the market is one of the factors which all willing buyers would take into account in deciding the price they are prepared to pay. In short, the existence of special buyers should raise the general level of the market.

(4) The willing seller is not a forced seller nor one who is prepared to sell on any terms. He is a person who, given a reasonable offer, would be willing to part with his shares.

(5) In the same way as the price which a special buyer would pay is not necessarily the correct price, so also is the price at which a special seller would be prepared to sell. In particular, any special personal value which the deceased attached to the shares should not be taken into account.

(6) In cases where, as is common with many private companies, the articles of association contain restrictions on transfers, the value in the open market is the price which the shares would fetch if sold on terms that the buyer is entitled to be registered as the owner of the shares, and therefore takes and holds them subject to the provisions of the articles, including those relating to the restriction on transfer. If the articles go further and lay down the price only at which shares can be transferred, such a price – which is normally a low price – is not necessarily the correct price. It is merely one of the factors a willing buyer would take into account in deciding what is the appropriate price in the open market. It is apparent that the presence of such restrictions would normally depress the price below what would be appropriate had no such restrictions applied although it must not be overlooked that restrictions on transfer usually give shareholders, including new shareholders, the benefit of acquiring further shares on advantageous terms.

This important principle regarding restrictions on transfer was clearly decided in the House of Lords in the *Crossman*[1] case which was concerned with the value of shares held in Mann, Crossman & Paulin Ltd. That company's articles of association contained severe restrictions on the transfer of shares which had first to be offered to other existing shareholders at a price fixed under a formula laid down in the articles. At the date of death such price was agreed at £221 per share, whereas the House of Lords, by a majority of three to two, decided that the value for estate duty should be taken at £355 per share. It is apparent from an examination of the case that, had the restriction not applied, the value would have been greater than £355 but the existence of a transfer price did not, in the view of the House of Lords, reduce the value for estate duty purposes to such price. The Lord Chancellor stated:

'The right to receive the price fixed by the articles in the event of a sale to existing shareholders under sub-clause (14*a*) is only one of the elements which went to make up the value of the shares. In addition to that right, the ownership of the share gave a number of other valuable rights to the holder, including the right to receive the dividends which the company was declaring, the right to transmit the shares in accordance with Article 34 (1), (2) and (3), and the right to have the shares of other holders who wished to realize offered on the terms of Article 34 (14*a*). All these various rights and privileges go to make up a share and form ingredients in its value. They are just as much part of the share as the restriction upon the sale.'

Relevant Factors

How then, in the light of the above general principles, does one arrive at the fair price between a willing buyer and a willing seller for a minority interest in a private limited company? It is first of all necessary to assemble and take into consideration all relevant factors which I suggest should include the following:

(1) The history and the nature of the business.

(2) The nature of the particular industry in which the company is engaged, e.g. is it a steady and progressive industry or is it speculative?

(3) The position of the company in that industry and in particular has it good and efficient management which is capable of meeting competition within the industry? Is continuity of management reasonably assured and in particular is the company likely to suffer by reason of the loss of the services of the deceased?

(4) Details of the capital structure of the company with particular reference to the rights of the holders of the various classes of shares and restrictions on transfer, if any. In addition, one has to consider the gearing of the share capital remembering in particular that a highly geared structure adds to the vulnerability of the equity capital.

(5) The profit record of the company for such past period as is considered relevant, the length of which will vary in individual cases. I have known

[1] *In re Percy Crossman (deceased)* and *In re Sir Wm. Thos. Paulin (deceased)* (15 A.T.C. 94).

companies where a five-year record is adequate, whereas with others, and particularly where the profits fluctuate, it is necessary to examine a longer period. It is interesting to note that in the *Holt* case, the profit record was made available in evidence covering a period of thirty-six years.

(6) The dividend record of the company and a comparison between the profits paid out by way of dividend and the amounts retained in the business.

(7) The net assets of the company at the latest balance sheet date and the nature thereof.

(8) The financial position of the company, with particular reference to its liquidity in the light of the company's capital expenditure programme and the need for additional working capital, which need may arise purely by reason of inflation.

The information referred to above deals mainly with the position of the company up to the date of the last balance sheet, but the careful investor would normally make inquiries regarding the trading position between the date of the last balance sheet and the date of death. He would also make his own estimate of the prospects of the company taking into account, *inter alia*, the future of the industry concerned. In this latter connection, if relevant, he would have regard to the effect of such national factors as possible further nationalization of industry, the Restrictive Trade Practices Act and the setting up of the European Common Market. In short, one assembles all the information regarding the company which a discerning investor would require before making his investment.

In addition, for the reasons explained below, one would assemble statistics relating to the yields obtainable at the date of death from comparable securities which are quoted on the stock exchange.

Preference Shares

There are in the main two classes of shares which have to be valued for estate duty purposes, namely, preference and ordinary shares. Other classes of share capital, such as participating preference and deferred shares, are fairly rare and as they require special consideration I do not propose to deal with them in this paper.

The valuation of preference shares is usually a simple matter provided the preference dividend has been paid regularly and has been reasonably well covered in the past by profits. In this case the shares should be valued by reference to the yield which the investor would expect to obtain from his investment. One guide of a general nature is the *Actuaries Investment Index* of yields or some similar official publication. It is also necessary and probably more helpful to obtain details of the yields obtained at the date of death on preference shares of companies whose shares are quoted on the stock exchange and which carry on a similar business to that of the company concerned. Having ascertained a reasonable average yield for such securities, it is necessary to make allowance for the fact that the shares concerned are not readily marketable.

The amount of the allowance is a matter for negotiation with the Estate Duty Office, but I would expect them to agree a discount on the price of at least 20 per cent. This means that if comparable preference shares which are quoted on the stock exchange give a yield of 7 per cent, one would value the shares on the basis of a yield of, say, 9 per cent. If, however, the dividend has been inadequately covered in the past, a higher yield should be adopted. Moreover, if the preference dividend is in arrear, the matter is more difficult involving a careful consideration of the case on its own merits, including an estimation of the date as from which and at what rate it is anticipated the arrears will be paid off. If the prospects of the resumption of preference dividend payments are poor the value of the shares must necessarily be very small.

Ordinary Shares

Turning now to ordinary shares, I must first remind you that we are at present only considering minority interests, i.e. an interest which does not control the company, which cannot force liquidation, which may not even give the owner a seat on the board and which, therefore, in effect only gives the shareholder the right to attend annual general meetings and if thought desirable enter a protest if he thinks the company is being badly run or the directors are adopting an unreasonable dividend policy. In such cases and particularly where the interest is relatively small, the dominant factor in valuing the shares of a private company is the dividend income which the investor can anticipate in the future. In making up his mind on this projected dividend, the investor will consider all the relevant information regarding the company which he will have assembled, but he will have regard primarily to the past dividend record of the company. He will also have regard to the past dividend cover, the net asset position of the company and to its financial position, but merely as a guide in estimating the dividends which will be paid in the future. For example, if the net asset and the liquid position are both strong and there is no indication of a fall in profits, one can usually assume that the last dividend will be maintained. On the other hand, if the profit record is erratic and particularly if there is a fall in the trend of the profits, the question at once arises as to whether the dividends in the future may not be reduced. After taking all these factors into account one endeavours to estimate a future maintainable dividend for the company and on the basis of this dividend arrive at a value for the shares in the light of the yield which the investor would expect to obtain on his minority holding.

As regards the yield, one looks at the yields obtained on ordinary shares of companies of a similar nature and size which are quoted on the stock exchange. One would normally tabulate information regarding such companies including the recent dividend record, the dividend cover, the net asset value of the shares, the capital structure and gearing,

why

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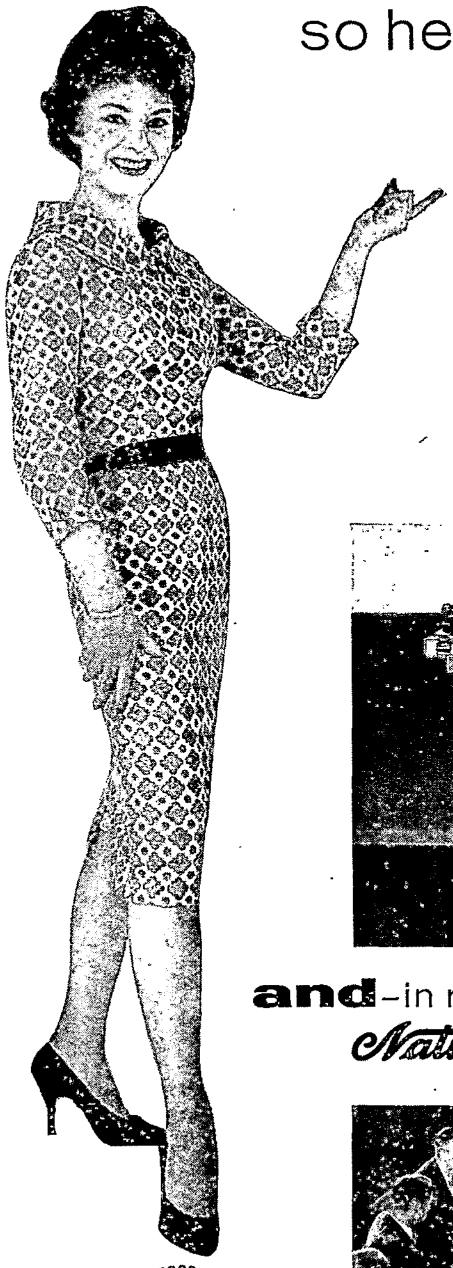

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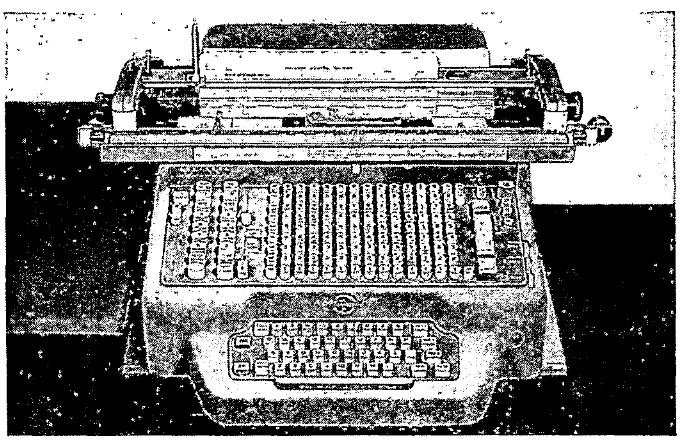

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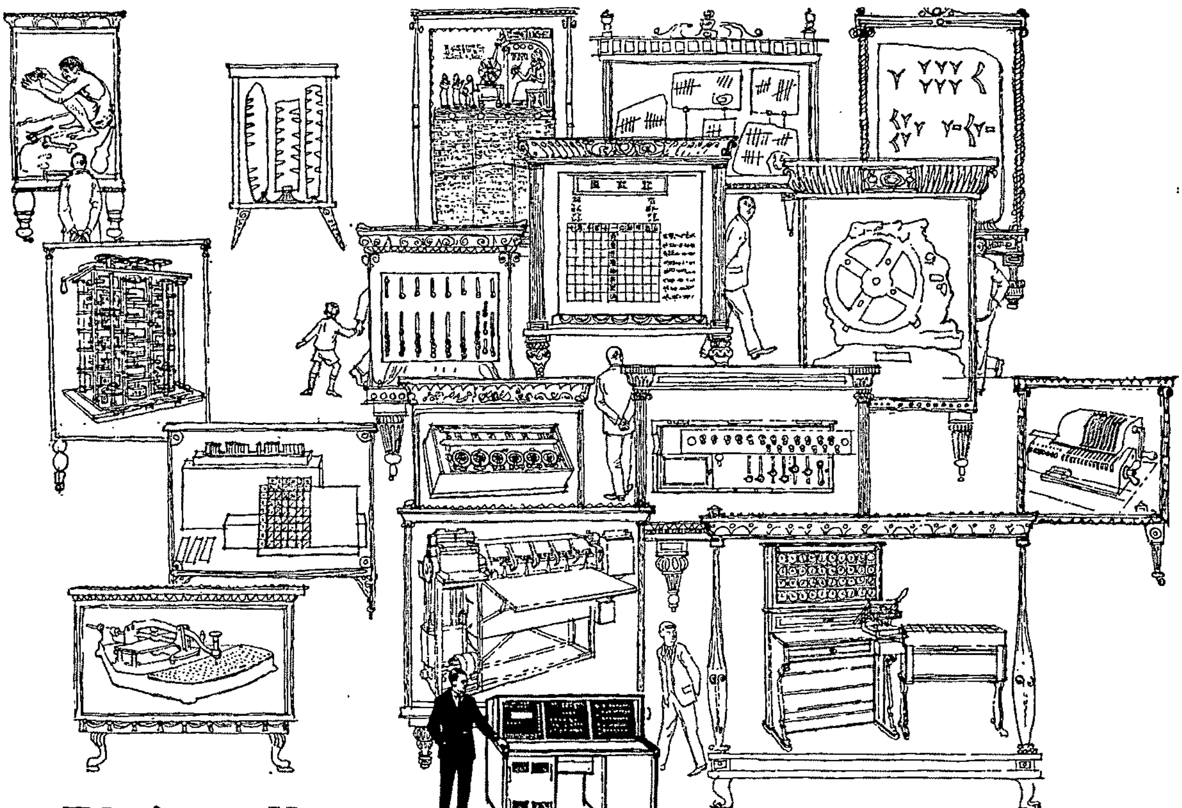

Plain talk about data processing

From the time the first man stood on his hind legs and counted on his fingers, he has been using the best data processing system of all, the one in his cranium. He stored up his information and when he was faced with a problem he consulted his records and used them to decide on the right course of action. As his affairs grew more complicated and he turned into a business man he tried very hard to predict things to come. But the cold truth is, as he discovered when his crystal fogged over, the only real way to predict the future is to reconstruct the past and to study it in relation to present facts and future trends. Facts and figures are needed in accessible form, and that's what modern data processing does for him. It also takes a great load of drudgery off his shoulders (and the shoulders of his staff).

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and by comparison endeavour to estimate the yield which would be obtained if the shares of the private company were quoted. To allow for unmarketability it is necessary to apply a discount and in this case one would expect the Estate Duty Office to agree a discount of around 20 per cent to 25 per cent as being reasonable to take this important factor into account.

In this class of company one often finds that past dividends have been very well covered by profits, although with the lifting of the 'Chancellor's umbrella' in relation to surtax, directors of private companies are tending to adopt a more liberal dividend policy. Notwithstanding this, it frequently happens that a price which gives a reasonable dividend yield of, say, 10 per cent may show an earnings yield of, say, 40 per cent or even higher and the question arises as to whether an investor should anticipate an increased dividend.

There may, of course, be special factors for the large retention of profits such as the need to conserve resources for capital outlay or to provide for future developments which may in addition require further working capital. I suggest, however, that even in the absence of such factors, the large earnings yield is not an important factor in a valuation of this nature. The point was dealt with by the learned judge in the *Holt* case where the ordinary dividend of only £22,000 was many times covered by earnings. An examination of the judgment indicates that the learned judge only took this factor into account in relation to the possibility of an increased dividend arising if the company found it necessary or desirable at some future date to seek a quotation on the stock exchange for its equity capital. Moreover, it appears that the amount included in the valuation for this factor was relatively small.

The possibility of a stock exchange quotation is, of course, only available in a limited number of cases and the point therefore helps to emphasize that it is difficult to lay down any general rules of valuation; each individual case must necessarily be considered on its own merits.

One type of holding which presents considerable difficulty is the large minority interest in a family company, i.e. one representing between 25 and 50 per cent of the ordinary share capital. On the one hand you have the argument advanced that such a shareholding does not give effective control and may therefore have no say in the dividend policy of the company; that although it can prevent liquidation it cannot enforce it and therefore the possible realization of surplus assets is so remote that it should be ignored; and that therefore the dividend basis of valuation I have previously described is just as appropriate to such an interest as to the small minority holding. In this connection it is necessary to bear in mind that Section 60 (2) of the Finance (1909–10) Act, 1910, provides that in the case of a large holding, no reduction can be claimed in respect of the depressing effect on price of placing the whole property on the market at the same time. This section is used by the Estate Duty Office as an argument against allowing a discount in the price of a large holding. Notwithstanding this provision it may, I suggest, be argued that the size of the holding is an embarrassment to the executors since the only practical method of disposal would be the sale over a lengthy period of small parcels of shares in an ever diminishing market and at reducing prices and in fact the average price may well be less than that which would be obtained for one small holding.

On the other hand, it may be contended by the Estate Duty Office that the open market in such cases would by and large consist of existing shareholders who in making their bids might be prepared to have more regard to earnings and net assets than would the buyer of a small interest. Such shareholders might also envisage the gradual accumulation of sufficient shares to obtain effective control. It is impossible in such cases to be in any way dogmatic, since one of the factors one is trying to assess is the reason why a potential buyer would want to make his purchase and this must, of course, depend, *inter alia*, on the particular circumstances of the company, including the composition of the board and of the remaining shareholders and the degree of control over the company the buyer would obtain. Suffice it to say that in the case of certain large minority holdings in family companies it may be necessary to give due weight to the presence of such special buyers.

Controlled Companies

I propose now to refer to the position of shares and debentures held by a deceased in 'controlled' companies which have to be valued under the provisions of Section 55, Finance Act, 1940. It is apparent that by 1930 the official view was that the basis of valuation which I have already described was not appropriate to cases where the deceased had control of a private company. It may have been thought that the basis placed too great an emphasis on the dividend record of the company, which record could, of course, be influenced by the deceased, e.g. by taking out large emoluments in place of dividends, and also that too little regard was had to the net assets of the company which might have been built up during the life of the deceased, either by the excess retention of profits or perhaps even by the introduction of liquid assets, possibly just prior to death, which were entirely surplus to the requirements of the company and which might be realized by the beneficiaries of the deceased merely by the subsequent liquidation of the company. In any event in the 1930 Finance Act provision was first made for the valuation of shares in a company by reference to its net assets. These and subsequent provisions in the 1938 Finance Act were replaced by the present operating provisions of the 1940 Act. These provisions were in turn amended by the Finance Act, 1946, and more recently and rather drastically altered by the Finance Act, 1954.

(*To be concluded.*)

Weekly Notes

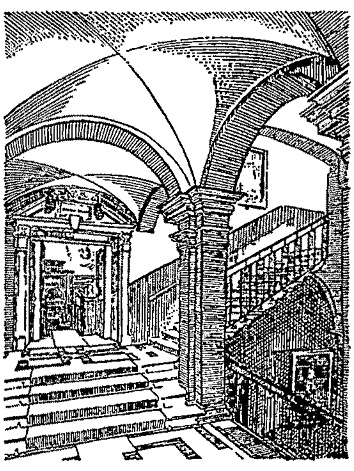
Baronetcy for Sir Harold Gillett

IT is with pleasure that we record the conferment upon Sir Harold Gillett, M.C., F.C.A., of a baronetcy on the occasion of his retirement as Lord Mayor of London last week.

During a successful year, Sir Harold attended over eighty more functions than any previous Lord Mayor. He carried out these innumerable duties with outstanding ability and upheld, with both dignity and charm, the ancient traditions of his high office.

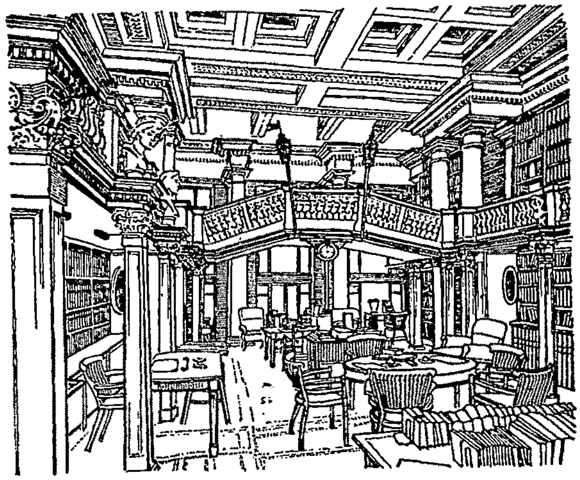
Introducing Graduates to the Profession

COMPETENCE, integrity and independence are the three characteristics above all others which a qualified accountant must possess and it is the constant concern of the councils of the respective bodies that future members of the profession have, or are likely to develop these qualities. For its part, the Council of The Institute of Chartered Accountants in England and Wales makes special effort to do so, not only by setting high examination standards, but also by explaining to each entrant what exactly would be required of him as a professional man. A year or two ago, it published a booklet entitled *Why not become a Chartered Accountant?*, addressed to school-leavers, setting forth with scrupulous fairness not only what the future chartered accountant might expect in the way of rewards but, with equal forthrightness, what would certainly be expected of him in the way of responsibilities. Now, the Council has followed up this publication with another, the self-explanatory title of which is *The Chartered Accountant: A Career for Graduates.*



Stairs leading to Council Chamber

Under such section headings as 'Preparation and early training', 'Your career prospects' and 'How to arrange for articles' is explained what every young graduate contemplating a career in accountancy should know. The text is full of useful facts and figures, anticipating practically every question the inquiring graduate is likely to ask, and is embellished by four most attractive pen and ink sketches – two of which we have pleasure in reproducing here – of the Institute's elegant headquarters in Moorgate Place. It is hard to visualize how this dignified introduction to the profession could have been bettered. It radiates exactly those qualities which it prescribes for a member of a professional body and which we began by repeating above – competence, integrity and independence.



The Library, Moorgate Place

Accountancy on the Air

THE appearance of the Institute's booklet described in the preceding note could hardly have been better timed in view of the publicity which the accountancy profession is shortly to be given by the B.B.C.

A programme on 'Accountancy' is to be broadcast in the 'Choosing a job' series on Network Three at 7.30 p.m. on Monday, November 30th. The programme will be introduced by recorded interviews with (*a*) an articled clerk; (*b*) a newly-qualified accountant; and (*c*) a principal, following which there will be a description of the work of accountants, both in public practice and in commerce. The programme will not, however, cover the work of members of the specialist bodies.

There will be some indication of training and examination requirements, and advice to those interested as to how to set about presenting themselves as candidates for the profession.

The programme has been compiled with the assistance of the Institute and the Association. The narrator will be Mr Clive Baxter, the 'resident' narrator of the 'Choosing a job' series.

Education for the Professions

SIR ARTHUR FFORDE, M.A., chairman of the British Broadcasting Corporation, was the guest speaker at a luncheon given by the London and District Society of Chartered Accountants at the Connaught Rooms last Monday. In the course of his address on 'Education for the professions', which for his purpose he confined to accountancy and the law, Sir Arthur said that by education he did not mean vocational training.

The professions were not meant to be machine tools. A machine tool could be made capable of performing a wide variety of functions, but only those predetermined by its designer; on the other hand the sort of demands that imposed themselves on the solicitor or the accountant, the things for which education – as he understood the term – was really appropriate, were not automatic. It was the capacity to deal, not in a predetermined way with predicted questions, but rightly and personally with the unforeseen. He would suppose that in accountancy probably no particular set of circumstances and personalities ever quite repeated themselves.

Advice, however good, was not of much use unless it was accepted, more especially when the advice itself was unwelcome as from time to time it must be. The analytical aspect of accountancy, and of law, was a function specific, tangible and indispensable – the art of eliminating the irrelevant, which was the obverse of discovering the essential.

Mr C. U. Peat, M.C., M.A., F.C.A., the President of the Institute, was also a guest at the luncheon, which was presided over by Mr J. D. Russell, M.A., F.C.A., chairman of the Society.

The Association's New Syllabus

THE main intention behind the newly-announced changes in the examination syllabus of The Association of Certified and Corporate Accountants – which will come into effect in June 1961 – is to make the young qualified member more familiar with the techniques of industrial accounting. It is felt that this orientation in the subjects selected for examination will be helpful not only to those who seek a career in industry or commerce but, also, to those who remain in the practising side of the profession and are called upon to advise clients on matters relating to management accounting.

In the Intermediate examination – which will be divided into two parts to be taken either singly or together – the present accounting papers will be consolidated into two papers and will include questions in compound interest and annuities. Executorship accounts will no longer be included at Intermediate level but will be covered in Section I of the Final examination. Instead, additional emphasis will be placed on taxation at the Intermediate level. Candidates, when the new syllabus is in operation, will not be set questions on Mercantile Law after the Intermediate examination and the present paper on Elementary Economics and General Commercial Knowledge will be replaced by a new paper entitled Elements of Economics and Business Statistics. Lastly, and perhaps most significant of all, a new paper on Costing will be introduced.

In the Final examination, the present division into two sections each of five papers will be maintained. Executorship and Bankruptcy will be dealt with in one paper and the syllabus on Company Law has been redrafted. Here again, in order to give more emphasis to subjects of industrial application, more advanced papers on Costing will be set in both parts under the titles of Advanced Costing in Section I and Management Accounting in Section II. Finally, in Section I a new paper, called Business Administration, will appear, followed in Section II by another new-comer entitled Industry and Finance. The revised plan of the syllabus, with each paper lasting three hours, will then be:

INTERMEDIATE – SECTION I	FINAL – SECTION I
(1) Book-keeping and Accounts, I	(1) Advanced Accounting
(2) Book-keeping and Accounts, II, including Taxation	(2) Executorship and Bankruptcy
(3) Costing	(3) Company Law
	(4) Business Administration
	(5) Advanced Costing
INTERMEDIATE – SECTION II	**FINAL – SECTION II**
(4) Mercantile Law	(1) Advanced Accounting
(5) Auditing	(2) Taxation
(6) Economics and Business Statistics	(3) Auditing and Investigations
	(4) Management Accounting
	(5) Industry and Finance

Lord Ritchie on Share Transfers

REFORM of share transfer procedure has reached the point of being brought to the notice of a distinguished and influential audience. Lord Ritchie, chairman of the London Stock Exchange, raised the matter last week at the annual Mansion House dinner.

Proposing the toast of 'The Bankers and Merchants of the City of London and the health of the Governor of the Bank of England', he asked that the subject should come up for discussion when the revision of the Companies Act is considered. Referring to the enormous scope for delay and error in the present procedure he said: 'I should like to say how important and how urgent it is that the whole system of transferring shares should be revised at the earliest opportunity.'

He pointed out that the present system involves the exchange of some twelve communications in the task of transferring, say, 100 shares. In his opinion the system is archaic, a brake to business and a serious deterrent to the attraction of small investors. Lord Ritchie's remarks will be widely approved by those, and how many they are, who have to go repeatedly through the slow, ponderous procedure of buying or selling shares. The present system was devised, like many clerical systems, to give checks on and provide alibis for clerical work where the human error might be difficult to detect quickly. In many

cases, the clerks who once may have made them have given way to machines. Modern thinking on organization and methods puts a heavy discount on procedures which are only a defence mechanism.

Protecting the Small Investor

A PRIVATE member's Bill to protect small investors has been presented in the House of Commons and is to come up for second reading on March 8th. An object of the Bill is to devise a means of subjecting share issues to inspection by some independent authority. Another object is to require companies to publish half-yearly accounts. However, it will be surprising if a Government Bill on the same topic does not appear by next March.

The Tax Claim which Shrank

SOME striking figures were given to the Court of Appeal on November 11th about a tax claim by the Inland Revenue. Mr William Peel Fletcher, financier, of Upper Slaughter, near Cheltenham, was appealing against an order of Mr Registrar Cunliffe, made on July 9th, 1959, suspending for twelve months Mr Fletcher's discharge from an adjudication of bankruptcy made on April 1st, 1955. The Registrar had also refused to give a certificate to the effect that Mr Fletcher's bankruptcy was caused by misfortune without any misconduct on his part.

His counsel said that when Mr Fletcher had appealed to the Court of Appeal against his adjudication in bankruptcy, the Inland Revenue had put in a proof against him for £240,000 unpaid tax. This liability, said counsel, had always been denied and had now been whittled down to £1,897 7*s* 4*d* which the Inland Revenue now accepted as the correct figure.

Surtax Direction and Infants' Settlements

A PARENT who makes a settlement on his infant child has to pay tax on settlement income which is 'paid' to, or for the benefit of, the child. If the settlement owns shares in a company which is subjected to a surtax direction, and pursuant to the direction income is apportioned to the child, is that income 'paid' to or for the benefit of the child so as to be taxable on the settlor? This question has arisen on corresponding legislation in Tanganyika and has been answered in the negative by the Judicial Committee of the Privy Council (*Houry v. Commissioner of Income Tax*) as reported in *The Times* on November 13th.

Lord Radcliffe, giving the decision, said it was apparent that no income had in fact been paid to or for the benefit of the child. The question was whether the fiction in relation to a surtax apportionment that a dividend had been paid when it had not in fact been paid was to be extended to cover the provisions in relation to settlements. The two sections were independent charging provisions and the charges they imposed were mutually exclusive. If they were to be harmonized that was a task for the Legislature.

Injunction to Restrain Former Institute Member

MR JUSTICE CASSELS, in the Queen's Bench Division on November 11th, granted The Institute of Chartered Accountants in England and Wales an injunction restraining Mr Herbert Ernest Cromwell Wood, of Ethelbert Road, Canterbury, from describing himself as a chartered accountant in connection with his business as an accountant or using the letters A.C.A.

Mr F. P. Neill, for the Institute, said that in September 1957, Mr Wood, who was a member of the Institute for twenty-five years, was removed from his membership and was no longer entitled to describe himself as a chartered accountant or to use the letters A.C.A. Mr Wood had not put in a defence but had written to the Institute saying he would undertake not to do the things which the Institute sought to restrain him from doing.

His lordship made an order for costs against Mr Wood.

Trend of Executive Employment

IN the last four years a number of management consultancy organizations have established themselves in the specialized fields of employee selection. The first, and probably still the largest, of these is Management Selection Ltd who have recently issued the first of what is intended to be a series of booklets called *Index of Executive Employment*. This shows the number of vacancies advertised in six daily and weekly papers and carrying a minimum salary of £1,000 a year. The positions advertised during the twelve months October 1958 to September 1959, have been analysed in this first issue.

It is necessary to realize that this is an index of vacancies advertised. This is not the same thing as an index of employment. It is related to such an index and also to what might be called the velocity circulation of executives in commerce and industry but it is in itself no more than an indication of the number of jobs which are thrown open to application. One would expect that in times of full employment, such as the present, and when there is a premium on the services of technical people, notably of engineers and chemists, that jobs would be more readily advertised, more widely and more persistently than when jobs are difficult to get. To that extent the MSL index may exaggerate the number of jobs available, though not the intensity with which the labour market is being scoured for applicants.

The number of appointments advertised over the twelve months under consideration are analysed into six groups – general management, finance, sales, research, production and others. The category of financial advertisements 'consists of men specializing in financial and accounting functions, including financial directors, office managers and company secretaries'. Of the six groups this one accounted for fewest applications exept for general managers. There

were 1,651 financial jobs advertised compared with over 6,000 in research and 4,800 in production. One feature of the brochure is to hint at the seasonal variation in vacancies. In this respect the financial group broadly follows the general trend, but for this category the biggest month was August and the smallest months were July, March and December. The financial group shared with the production group a noticeable drop in vacancies during September. It will take a year or two of figures to discover if this is a real seasonal trend or whether there were special factors operating in 1958 to 1959.

Reviews

Trust Accounts

Second Edition by PETER M. B. ROWLAND, M.A., LL.B., Barrister-at-Law. (Butterworth & Co (Publishers) Ltd, London. 40*s* net.)

While the five years which have elapsed since the publication of the first edition have brought very few changes in the law, this new edition represents the result of a searching revision combined with the adoption of improvements. The rules for the distribution of intestates' estates have been included and the numerous and elaborate examples have been brought up to date in such matters as changes in the rate of income tax.

The volume is conveniently bound in two sections opening from the centre so that one can study the text and also the examples in the appendices at the same time, both parts lying flat on one's desk.

The author is an unrepentant advocate of the single-entry system in the matter of trust accounts (as distinguished from the accounts of commercial concerns) and brings to his aid compelling arguments in favour of the system. He modestly suggests that most laymen faced with the duty of keeping trust accounts would probably soon work out a system which the author recommends. He also points out that trustees have statutory authority to employ accountants, as well as solicitors, bankers and stockbrokers, and shrewdly observes that it is no doubt because of the powers of advertisement that so many testators appoint institutions as executors, instead of the cheaper and usually more satisfying course of appointing friends or relatives who can exercise the powers of delegation at need.

Accounting and Action

by R. J. CHAMBERS. (The Law Book of Australasia Pty. Ltd; U.K. agents: Sweet & Maxwell Ltd, London. 27*s* 6*d*.)

This is a most valuable and unusual textbook for students of commerce and economics, as well as for those beginning their preparation for the accountancy profession. It combines an introduction to accounting method with simple illustrations of the utilization of accounting data, and therefore lies midway between the conventional introduction to book-keeping and accounts and, say, Anthony's *Management Accounting*. Its purpose, states the author, is to present accounting as an aid to informed action, and this object is respected both in the presentation, where method and utilization are dealt with concurrently, and in the scope of the book.

Starting with accounts of individuals and 'householders', Professor Chambers demonstrates how the accounts of sole traders and companies, banks, charitable institutions and governments differ as a result of their predominant characteristics. A most valuable feature of this treatment is the manner in which he constantly relates accounting techniques to problems of social organization, thus demonstrating the value of accounting to society at all points. The author manages to touch upon the accounts of multi-operational firms, cost accounting, accounting for international transactions (balance of payments accounting), and national income and expense accounting.

The ambitious purpose of the book and its limited size combine to make its defects stand out more than they would in another, more copious and pedestrian work. They spring from one source in particular – the lack of clear concepts underlying the discussions of individual aspects of accounting. Professor Chambers is far too ready to accept the erroneous procedures encountered in practice, than to show the correct methods and explain why deviations occur. The distinction between revenue and capital, and revenue and income; the treatment of purchases, stocks, taxation and so on; the assumptions underlying stock valuation practices and depreciation: such problems as these the author speeds over lightfootedly, it is true, but eventually to his own and the reader's disadvantage. Simplification can only be practised successfully where clarification has gone before.

RECENT PUBLICATIONS

TRADE UNION LAW, sixth edition, by H. Samuels, O.B.E., M.A. xviii+108 pp. 9×5½. 17*s* 6*d* net (United Kingdom only). Stevens & Sons Ltd, London.

ELECTRONIC BUSINESS MACHINES, by J. H. Leveson, B.SC.(ECON.), A.C.I.S., M.B.I.M. 272 pp. 8½×6. 45*s* net. Heywood & Co Ltd, Carlton House, Great Queen Street, London, WC2.

LEGAL ASPECTS OF FOREIGN INVESTMENT, by Wolfgang G. Friedmann assisted by Richard C. Pugh. xiii+812 pp. 9½×6. £7 7*s* net (United Kingdom only). Stevens & Sons Ltd, London.

THE NATIONAL INCOME OF SINGAPORE, 1956, by Frederick Benham. 24 pp. 10×8. Card covers. 2*s* 6*d* net. Distributed for the Royal Institute of International Affairs by the Oxford University Press, London.

Finance and Commerce

Unusual Combination

THIS week's reprint gives the accounts of Walker & Martin Ltd, of Rose Hill Tannery, Bolton, whose products include the Dri-ped leathers for footwear. These accounts reflect for the first time the movement of the company into the field of industrial banking by the acquisition in July last year of Bentinck Ltd and The Midland Finance & Insurance Co Ltd.

This is an unusual combination of interests, but as the chairman, Mr Roger Walker, points out to shareholders in his annual review, the leather industry, in so far as footwear is concerned, is contracting. The decreasing use of leather for the soles of footwear, he says, has unfortunately continued and possibly may continue to do so this year as a result of the very much higher raw hide prices. He also refers to 'ever-increasing imports of duty-free upper leather' on which the United Tanners' Federation has made representations to the Board of Trade but without success.

Thus there is in the balance sheet a mixture of manufacturing stock and trading items and the figures appertaining to the transaction of hire-purchase financing. The result is a form of account which has probably presented some shareholders with the difficulty of trying to see two things at once.

Not Easy to Follow

Coupled with this new situation is a movement in the accounts which is not easy to follow. The first point is the reduction in the stockholding from £1,628,122 to £1,472,320. With this reduction, the Board has considered that the stock reserve can now be reduced from £600,000 to £400,000; the difference being transferred to profit and loss account as 'Stock reserve not now required', and added to the available balance.

The chairman's review continues: 'It is proposed that this amount, together with the net balance of the year's working after providing for distributions, shall be allocated against the asset item of "Net cost of acquisitions in excess of the written-down values of net assets". This latter item appears in the consolidated balance sheet for the first time and arises from the cost of our acquisitions over the years in excess of their net assets value, having now exceeded our capital reserves to the extent of £394,710, but by the proposed allocation out of the year's available balance, this is reduced to £159,471, which move your Board considers prudent.'

CONSOLIDATED PROFIT & LOSS ACCOUNT for the Year ended 31st March, 1959
OF THE WALKER AND MARTIN LIMITED GROUP OF COMPANIES

1958 £	1958 £		£	£
	100,000	To Depreciation ..		100,000
	866	,, Employees' Bond & Other Interest ..		864
		,, Provision for Taxation on the Profits to date:		
67,482		Income Tax ..	74,339	
30,525		Profits Tax ..	18,000	
	98,007			92,339
	72,042	,, Net Balance, carried down ..		107,387
	£270,915			£300,590
		To Interim Dividend on Preference Shares, *less* tax,		
	3,594	paid 1st December, 1958 ..		3,594
	—	,, Written off cost of Acquisitions ..		235,239
		,, Recommendations as to Appropriations:		
		Preference Shares—Final Dividend, *less* tax, paid		
3,594		1st June, 1959 ..	3,828	
57,500		Ordinary Shares—Dividend at 10% *less* tax ..	61,250	
		4% Employees' Bonds—Additional Interest at		
456		3%, *less* tax	476	
3,400		Directors' Fees ..	3,000	
	64,950			68,554
—		,, Balance—Subsidiary Company ..	14,180	
290,735		—Parent Company ..	276,555	
	290,735			290,735
	£359,279			£598,122

1958 £	1958 £		£	£
	233,432	By Balances from Trading Accounts ..		278,904
		,, Income from Investments (Gross)		
1,948		Trade ..	826	
35,535		Other ..	19,133	
	37,483			19,959
	—	,, Profit on sale of Investments ..		1,691
	£270,915			£300,590
	72,042	By Net Balance, brought down ..		107,387
	—	,, Stock Reserve not now required ..		200,000
	287,237	,, Balance brought forward from 31st March, 1958 ..		290,735
	£359,279			£598,122

Directors' Emoluments (Parent and Subsidiary Companies):

	£
Fees ..	3,000
Other Emoluments ..	45,926
	£48,926

Mr Walker adds that almost the whole of the overdraft of the group is attributable to industrial banking.

Separate Account

IN a somewhat similar situation, the English, Scottish & Australian Bank Ltd presents shareholders with a separate balance sheet of its hire-purchase subsidiary, even though there is, of course, an affinity between the main business of banking and hire-purchase.

The subsidiary, Esanda Ltd, was started as a department of the bank about six years ago and shareholders have been provided with a separate statement of its position. Its growing importance, however, has now prompted the Board to present a consolidated balance sheet and profit and loss account 'so that shareholders may have a clearer picture of the business as a whole'. The importance of the consolidation is increased by the establishment of a further wholly-owned subsidiary, E. S. & A. Holdings Ltd, which is the proprietor of the new head office of the bank now in course of construction.

In addition, says the chairman, Mr David Brand, the opportunity has been taken to show the accounts in the conventional form common to banking companies, including two-sided balance sheets, so that the total of assets and liabilities can be seen and compared with greater ease than in the columnar form of balance sheet previously published.

No Profit Figure

ANY half-year statement by a public company is welcome. The practice is not so well-established that one should appear critical or disparaging of the pioneers, especially when the company in question, Rolls-Royce Ltd, is in the advanced class of those that give a turnover figure. While the total revenue for the first six months of 1959 amounted to £44 million (1958: £45 million), the year's figures are expected to fall short of the 1958 figure of £96 million, the statement adds, largely by reason of the disruption caused

CONSOLIDATED BALANCE SHEET as at 31st March, 1959
OF THE WALKER AND MARTIN LIMITED GROUP OF COMPANIES

1958 £	1958 £		£	£
		ISSUED CAPITAL OF WALKER AND MARTIN LIMITED		
250,000		250,000 5% Cumulative Preference Shares of £1 each, fully paid	250,000	
1,000,000	1,250,000	1,000,000 Ordinary Shares of £1 each, fully paid	1,000,000	1,250,000
		CAPITAL RESERVE		
		Capital Reserve at 31st March, 1958	21,566	
	21,566	*Less* Written off cost of Acquisitions	21,566	—
		RESERVES AND UNDISTRIBUTED PROFITS:		
153,000		Revenue Reserves	153,000	
59,471		Welfare Appropriation	59,471	
290,735	503,206	Profit and Loss Account Balance	290,735	503,206
	1,774,772			1,753,206
	198,759	FUTURE TAXATION		207,096
	75,000	CONTINGENCY ACCOUNT		75,000
		SHORT-DATED LIABILITIES:		
	26,690	Employees' Bonds		26,080
		CURRENT LIABILITIES AND PROVISIONS:		
624,845		Sundry Creditors and Raw Materials not arrived	680,179	
—		Deposit Accounts	596,334	
20,019		Owing to Bankers	972,754	
61,284		Current Taxation	58,721	
64,950	771,098	Proposed Dividends and Fees	68,554	2,376,542
	£2,846,319			£4,437,924

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS
ROGER WALKER
R. C. WALKER } *Directors*

1958 £	1958 £		£	£ Depreciation	£
		FIXED ASSETS:			
		LAND AND BUILDINGS:			
		Book Value, 31st March, 1948, *plus* Additions to 31st March, 1958, at Cost	802,872	325,138	
		Additions during the year, at Cost, *less* Sales	13,251	21,541	
	477,734		816,123	346,679	469,444
		PLANT AND MACHINERY:			
		Book Value, 31st March, 1948, *plus* Additions to 31st March, 1958, at Cost	991,642	794,624	
		Additions during the year, at Cost, *less* Sales	50,760	78,459	
	197,018		1,042,402	873,083	169,319
	674,752	NET BALANCE SHEET VALUE			638,763
		NET COST OF ACQUISITIONS in excess of the written down value of Net Assets (balance)		394,710	
		Less Amount written off this year		235,239	159,471
—	49,015	TRADE INVESTMENTS at Cost or Under			28,625
		CURRENT ASSETS:			
1,628,122		Stock-in-Trade, as valued by Directors of the respective Companies	1,472,320		
600,000		*Less* Reserve	400,000		
1,028,122				1,072,320	
		Hire Purchase Agreements outstanding	2,234,141		
—		*Less* Unmatured Finance Charges	288,775	1,945,366	
550,050		Sundry Debtors		593,179	
44,380		Unquoted Investments at Cost		200	
500,000	2,122,552	Short Term Loans		—	3,611,065
	£2,846,319				£4,437,924

NOTE:—Commitments for Capital Expenditure amount to approximately £116,000.

by the fire at the company's Mountsorrel factory last May. Further, the results for the year will also reflect continuation of a high rate of expenditure on research and development (1958: £5·8 million).

In Rolls-Royce, however, a company renowned for perfection, where one would confidently expect the highest degree of efficiency in its accounting processes it would be unthinkable that its board, four months after the close of the half-year, did not have a half-year's profit figure. Why not, then, include it in the statement?

The statement concludes with the fact that at the end of September, unfulfilled orders for all of the company's products amounted to £105 million compared with £113 million at the commencement of the year.

All in One

IS it possible that the separate reserve for the replacement of fixed assets has had its day? A separate reserve for this purpose was largely the outcome of post-war inflation and there is some hope now that inflation on that scale is over. Fundamentally, all the retained profits of a business are available for replacement and expansion.

Several companies recently have taken the step of consolidating reserves under the two heads, capital and revenue. One company, the Wellman Smith Owen Engineering Corporation Ltd, has decided to discontinue the segregation of the 'Reserve for replacement of fixed assets,' which a year ago stood at £450,000, and has now included the item in a 'General reserve' of £950,000, plus £300,000 from profits, to make £1¼ million under that heading.

Sir Peter G. Roberts, the chairman, refers to the board's capital expenditure programme on which approximately £1 million has been spent in the last four years. New machines of the most modern type have been installed, and that the policy was right, the chairman says, is evidenced by the past year's record turnover.

WALKER AND MARTIN LIMITED

BALANCE SHEET AS AT 31st MARCH, 1959

1958 £			£	£
	CAPITAL AUTHORISED			
250,000	250,000 5% Cumulative Preference Shares of £1 each		250,000	
1,000,000	1,000,000 Ordinary Shares of £1 each		1,000,000	
500,000	500,000 Shares of £1 each		500,000	
£1,750,000			£1,750,000	
	CAPITAL ISSUED AND SUBSCRIBED			
250,000	250,000 5% Cumulative Preference Shares of £1 each, fully paid		250,000	
1,000,000	1,000,000 Ordinary Shares of £1 each, fully paid		1,000,000	
				1,250,000
67,300	SHARE PREMIUM ACCOUNT			67,300
	RESERVES:			
127,000	General Reserve		127,000	
59,471	Welfare Appropriation		59,471	
	Stock Reserve	600,000		
	Less Not now required	200,000		
600,000			400,000	
290,735	Profit and Loss Account		276,555	
				863,026
2,394,506				2,180,326
26,649	FUTURE TAXATION			14,832
75,000	CONTINGENCY ACCOUNT			75,000
	SHORT-DATED LIABILITIES:			
26,690	Employees' Bonds			26,080
	CURRENT LIABILITIES AND PROVISIONS:			
112,028	Sundry Creditors		58,051	
—	Owing to Subsidiary Companies		1,142	
269,002	Owing to Bankers		536,863	
28,000	Current Taxation		—	
64,950	Proposed Dividends and Fees		68,554	
				664,610
£2,996,825				£2,960,848

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS
ROGER WALKER
R. C. WALKER } *Directors*

1958 £		£	£ Depreciation	£
	FIXED ASSETS:			
	LAND AND BUILDINGS:			
	Book Value, 31st March, 1948, plus Additions to 31st March, 1958, at Cost	330,862	216,902	
	Transfer from Subsidiary Companies	—	2,856	
	Added during the year at Cost	2,471	4,881	
113,960		333,333	224,639	108,694
	PLANT AND MACHINERY:			
	Book Value, 31st March, 1948, plus Additions to 31st March, 1958, at Cost *less* Sales	5,181	5,180	
	Added during the year, at Cost	5,370	5,370	
1		10,551	10,550	1
113,961	NET BALANCE SHEET VALUE			108,695
	TRADE INVESTMENTS:			
2,302,267	Investments in Subsidiary Companies at Cost or under	3,065,267		
—	Amount written off	235,239		
			2,830,028	
19,942	Trade Investments at Cost or under		4,187	
				2,834,215
	CURRENT ASSETS:			
6,740	Sundry Debtors		17,738	
9,535	Owing by Subsidiary Companies		—	
44,380	Unquoted Investments at Cost		200	
500,000	Short Term Loans		—	
				17,938
£2,996,825				£2,960,848

CITY NOTES

STOCK-MARKET experience during the week has shown that the small investor now needs little prompting to take profits. He is inclined to see handsome profits on industrial equities in terms of 'money for Christmas'.

The short account which ended yesterday (November 20th) was the last to be settled within reasonable spending distance of the Christmas holiday. The account starting on November 23rd and running to December 4th will not be settled until December 15th and most of the Christmas spending money is needed before then.

Even the small investor who is comparatively new to the market is inclined to realize that there has never been boom without end and that profits are always worth taking. The new investor is probably more profit conscious than any other.

It seems probable that the industrial equity market may tend to slip back from its recent peak, but while economic and industrial news continues encouraging there is unlikely to be any major fall. Institutional, as well as American and European, demand is still keen in the equity market and the unit trusts continue to provide a powerful prop. Recent dividend statements have hardly suggested that the market has been unduly optimistic in its dividend hopes and the basic factors making for general equity confidence remain.

Meanwhile, the gilt-edged market at best holds steady. Although there has been profit-taking in equities there is no sign that money is being even temporarily reinvested in Government stocks. The problem of restoring investment confidence in the gilt-edged market is a pressing matter.

RATES AND PRICES

Closing prices, Wednesday, November 18th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Sept. 11	£3 9*s* 8·47*d*%	Oct. 16	£3 8*s* 4·91*d*%
Sept. 18	£3 9*s* 8·13*d*%	Oct. 23	£3 8*s* 6·74*d*%
Sept. 25	£3 9*s* 5·24*d*%	Oct. 30	£3 7*s* 8·53*d*%
Oct. 2	£3 9*s* 10·48*d*%	Nov. 7	£3 7*s* 4·62*d*%
Oct. 9	£3 8*s* 9*d*%	Nov. 14	£3 7*s* 9·55*d*%

Money Rates

Day to day	2⅜–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
Fine Trade Bills		3 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
3 months	4¼–5%	4 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
4 months	4¼–5%	6 months	3½–3⅝%
6 months	4½–5%		

Foreign Exchanges

New York	$2{\cdot}80\frac{1}{4}$–$\frac{5}{16}$	Frankfurt	11·68⅞–·69⅛
Montreal	$2{\cdot}66\frac{5}{16}$–$\frac{7}{16}$	Milan	1739–½
Amsterdam	10·58¼–½	Oslo	20·00⅝–⅞
Brussels	140·16¼–¾	Paris	13·74⅝–¾
Copenhagen	19·32¾–·33¼	Zürich	12·15¾–·16

Gilt-edged

Consols 2½%	52⅛	Funding 4% 60–90	93⅞
Consols 4%	77¼	Savings 2½% 64–67	85¾
War Loan 3½%	$67\frac{7}{16}$	Savings 3% 55–65	$92\frac{9}{16}$
Conversion 3½%	67½	Savings 3% 60–70	$84\frac{9}{16}$
Conversion 3½% 1969	90¼	Savings 3% 65–75	$78\frac{13}{16}$
Exchequer 5½% 1966	105	Treasury 2½%	50⅛
Funding 3% 66–68	86⅞	Tr'ury 3½% 77–80	80⅛
Funding 3% 59–69	85⅝	Treasury 3½% 79–81	80⅜
Funding 3½% 99–04	74⅞	Victory 4%	96¼

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Tracing Differences

SIR, – Prompted by recent letters in your columns from Messrs T. G. Rose and D. A. Wood on the subject of the location of errors arising from transpositions, I should like to pass on a tip for locating errors which arise through amounts having 'slipped' a column in copying. Whilst it is not difficult to spot that a difference of £7 1*s* 3*d* could have arisen from £7 9*s* 0*d* having been copied as 7*s* 9*d*, if the amount is greater the original amount may not be easily recognized, e.g. if the difference is £1,425 5*s* 3*d* it is not readily seen that an original amount of £1,583 9*s* 0*d* may have been copied as £158 3*s* 9*d*.

The method I give below will not determine whether a given error has arisen through column-slipping, but if the error has arisen in this way, then it will enable the amount wrongly copied to be pinpointed exactly.

To find the original amount, it is necessary to work backwards, starting with the pence figure of the difference. First, subtract this figure from twelve and the answer will be the shillings figure of the original amount. Next deduct the shillings figure of the difference from the original shillings figure arrived at as above and the answer will be the units pounds figure of the original amount. Similarly, deduct the units pounds figure of the difference from the original units pounds figure and the answer will be the tens pounds figure of the original amount. This process is continued until a zero is reached, when the original amount will be complete.

Using the figures of the example given in my first

paragraph, I set out below, in tabular form, the working of the method:

Difference				*Method*			*Original Amount*		
£	*s*	*d*		£	*s*	*d*	£	*s*	*d*
				0,000	0	0			
		3				3			
					9	0		9	0
	5	0	(*a*)		5	0			
				3	0	0	3	0	0
5	0	0		5	0	0			
				80	0	0	80	0	0
20	0	0	(*b*)	20	0	0			
				500	0	0	500	0	0
400	0	0		400	0	0			
				1,000	0	0	1,000	0	0
1,000	0	0		1,000	0	0			
£1,425	5	3		£00,000	0	0	£1,583	9	0
				Less Difference			1,425	5	3
				Amount wrongly copied			£158	3	9
							(Proof)		

NOTES

(*a*) The actual deduction of course is 6, i.e. 5 plus the carry-forward of 1 from the pence column.

(*b*) Similarly here there is a carry-forward of 1 from the units column making the actual amount deducted 30.

If, after treating a difference in the way shown, one arrives at an amount exactly the same as an amount appearing in the 'copied' column, there is clearly a good case for a check to be made on that item. If, on the other hand, the series of subtractions breaks down (through the shillings to units pounds step resulting in a double figure) or if the final result does not prove itself (by deduction of the difference, as shown in the example) then the error cannot be a simple column-slip in copying.

Yours faithfully,

London, E4. C. R. HORNSBY, B.A.(ECON.)

SIR, – Two common sources of differences in accounts are: (*a*) the transposition of shillings and pence, e.g. writing 8*s* 5*d* for 5*s* 8*d*; and (*b*) writing shillings and pence for pounds and shillings, e.g. 18*s* 5*d* for £18 5*s*.

As a guide in the first case, if the difference reduced to pence is a multiple of 11, then one should look for a pair of figures differing from each other by that multiple: if 8*s* 5*d* is written as 5*s* 8*d*, the difference is 2*s* 9*d*, i.e. 33 pence. The difference may well be caused by transposition of any sums, such as 1*s* 4*d*, 2*s* 5*d*, etc.

To test a difference for an error of the second type, I give a numerical example: consider a difference of £17 6*s* 7*d*. Subtract 7*d* from 1*s*, leaving 5, and write 5 under the pence and over the shillings, thus:

	5	
17	6	7
		5

then add 1 to 6 making 7, and subtract from 25*s* leaving 18: write 18 under the shillings and over the pounds, thus:

18	5	
17	6	7
	18	5

and it is clear that search in the accounts for 18*s* 5*d* or £18 5*s* will probably locate the error quickly.

If the difference were £27 6*s* 7*d*, it is likely that there would be the same error together with a wrong cast of £10.

I was taught these things fifty years ago when I was a struggling bank clerk, writing-up waste books and clearing house deliveries, horrid things that one had to balance before going home; in these conditions, tricks for discovering errors were extremely valuable.

Yours faithfully,

London, EC2. RALPH A. HADRILL.

Partnership: Division of Profit

SIR, – I would appreciate your readers' views on the following example:

A., B. and C. are in partnership sharing profits as to one-half, one-quarter and one-quarter. Interest on capital is at 5 per cent, and their capitals are:

A.	*B.*	*C.*
£10,000	£1,000	£1,000

During the year there is a profit of £8,000. The profit and loss appropriation account would appear as follows:

	A.	*B.*	*C.*		
	£	£	£		£
Interest on capital ..	500	50	50	Profit	8,000
Balance ..	3,700	1,850	1,850		
	£4,200	£1,900	£1,900		£8,000

An alternative contention is that A.'s surplus capital is £8,000 and therefore he should have a net interest of £400, which is to be charged equally to B. and C.

The division of profit would then be as follows:

	A.	*B.*	*C.*
	£	£	£
Profit	4,000	2,000	2,000
Interest on capital ..	+ 400	— 200	— 200
	£4,400	£1,800	£1,800

This would appear to be a more equitable arrangement because A. is no longer bearing part of his own interest on his capital.

Yours faithfully,

MANKLEVER.

For Students

ACCOUNTANCY

Cost Ratios

Ratios may be utilized in the cost or financial accounts of a business to disclose the trends of the business results. Thus by the analysis of costs and sales on a uniform basis and by expressing the results in the form of ratios, it is possible to obtain a comparison with the results and trends of previous years. Where the figures disclosed by the business are consistent these will be of material assistance in compiling estimates of future results, i.e. budgets. Certain expenses and provisions may be related to asset values, for example: insurances to the value of the assets insured; depreciation and maintenance to the value of plant and equipment; provision for bad debts to the total debtors outstanding.

The immediate advantage to be derived in employing such ratios in the cost or financial accounts, is the stimulation given to management to investigate variations. Perhaps the best known ratio used is the 'gross profit percentage' (obtained by expressing the gross profit as a percentage of turnover). Any material fluctuation places the accountant (or auditor) on his guard and he will continue his investigation until a satisfactory answer has been obtained.

Normally the management will not derive a great deal of information from the total cost of production until it is related to the total output for the same period. (A comparison of figures with previous years being unreliable as these may contain abnormal items of expense.) Similarly the number of persons employed is of little significance unless compared with the actual level of activity.

Illustration

Accounting ratios obtained from the data set out below will reveal fluctuations in:

(*a*) the rate of gross profit earned by each £100 worth of sales;

(*b*) the cost of goods sold.

(Where the goods manufactured by the business are of a standard type, the ratios should be constant.)

Summarized trading account:

	1959	*1958*
	£	£
Sales	30,000	20,000
Less Cost of sales ..	20,000	14,000
	£10,000	£6,000

(*a*) Gross profit percentage:

$£\frac{10,000}{30,000} \times 100$	$33\frac{1}{3}\%$	$£\frac{6,000}{20,000} \times 100$	30%

(*b*) Cost of goods sold to:

Sales: $£\frac{20,000}{30,000} \times 100$ ..	$66\frac{2}{3}\%$	$£\frac{14,000}{20,000} \times 100$	70%

When the level of activity has increased the following ratio will assist in the assessment of the results.

Extracts from the final accounts:

	1959	*1958*
	£	£
Sales (as above)	30,000	20,000
Working capital:		
Debtors	7,500	5,000
Stock	5,500	5,000
	13,000	10,000
Cash	3,000	2,000
	16,000	12,000
Less Current liabilities..	10,000	6,000
	£6,000	£6,000

Accounting Ratios

	1959		1958
(*a*) Current ratio (current liabilities divided into current assets)			
$£\frac{16,000}{10,000}$	1·6	$£\frac{12,000}{6,000}$	2
(*b*) Liquid ratio (current liabilities divided into liquid assets)			
$£\frac{3,000}{10,000}$	·3	$£\frac{2,000}{6,000}$	·33
(*c*) Working capital to sales			
$£\frac{6,000}{30,000} \times 100$ ..	20%	$£\frac{6,000}{20,000} \times 100$	30%

Example (*c*), in particular, shows one of the dangers of using percentages and ratios. For although the amount of the working capital remains constant, due to a fall in sales, if the percentage is shown in a report without comment, the reader might draw the conclusion that the position of the business has improved.

TAXATION

Income Tax: Schedule A

Question

You have received the following letter from your client, Mr James Smith.

'Dear Sir,

I inherited a house at 64 Eastern Road, Northport, from my late uncle on April 6th, 1958, the gross annual value being £60. The house is let unfurnished to a Mr Smith for £3 3*s* 0*d* per week. I pay the rates which amounted to £33 10*s* 0*d* for the year ended March 31st, 1959.

I have ascertained from my late uncle's papers that expenditure on repairs and maintenance in respect of the property was incurred as follows:

		£
Year ended April 5th,	1954	25
" "	1955	96
" "	1956	33
" "	1957	10
" "	1958	56

The fire insurance premium in respect of the insurance of the structure only amounted to £8 in each year. I would be grateful if you would calculate the amount of any repayment of tax which may be due

to me for the year ended April 5th, 1959. The Schedule A tax has been paid at the standard rate on the net annual value.

Yours faithfully,'

Answer

James Smith

	£	s	d
re 64 Eastern Avenue, Northport			
Annual rent	163	16	0
Less Rates	33	10	0
Say	130	0	0
Less Statutory repairs allowance ..	25	0	0
	105	0	0
Less Assessed net annual value ..	48	0	0
Excess rents	£57	0	0

	£
Average repairs $(25+96+33+10+56)=\frac{220}{5}=$ ..	44
Add Fire insurance	8
	52
Less Statutory repairs allowance	25
Section 101, Income Tax Act, 1952, claim ..	£27
Income from the property:	
Schedule A assessed	48
Excess rent	57
	105
Less Section 101 relief above	27
	78
Less Already paid on net annual value ..	48
	£30

Additional liability at 8*s* 6*d* on £30=£12 15*s* 0*d*

In cases where there are a number of properties let at weekly rents, 1/26th of the rents may be deducted. If the actual rent received and the expenses incurred are included, however, the deduction may be refused by the inspector with justification.

AUDITING

Practical Problem

Question

(*a*) Explain how an inspector may be appointed by the Board of Trade under Section 164 of the Companies Act, 1948;

(*b*) Describe the powers and duties of the inspector appointed by the Board of Trade; and

(*c*) describe any other circumstances in which an inspector may be appointed by the Board.

Answer

(*a*) Under Section 164 of the Companies Act, 1948, the Board of Trade may appoint inspectors to investigate a company's affairs on the application of:

(i) in the case of a company having a share capital, either not less than 200 members, or members holding not less than one-tenth of the shares issued;

(ii) in the case of a company not having a share capital, not less than one-fifth in number of persons on the company's register of members.

Before appointing an inspector the Board of Trade may require:

(i) evidence that there is good reason for requiring an investigation; and

(ii) security to an amount not exceeding £100, for the payment of the cost of the investigation.

One or more inspector(s) may be appointed and their reports will be made to the Board of Trade.

(*b*) The powers and duties of the inspectors appointed by the Board are tabulated below:

Powers

(i) to require documents and evidence to be produced by the officers and agents (including bankers, solicitors and auditors) of the company;

(ii) to investigate the affairs of related companies so far as the inspector considers it necessary for the purposes of the investigation in hand;

(iii) to examine on oath all the past and present officers and agents of the company, or other body corporate in relation to its business. (By application to the Court any other person may be so examined.)

Duties:

To report to the Board of Trade on the results of the investigation. Interim reports will be submitted if directed by the Board.

(*c*) Under Section 165 of the Companies Act, 1948, the Board may appoint inspectors to investigate the company's affairs if:

(i) the company by special resolution, or

(ii) the Court by order,

declares that its affairs ought to be investigated.

(Investigations under this section are usually instituted when it is suspected that the company has been mismanaged or that the directors or officers of the company have been utilizing the company's funds for their own purposes.)

Also, inspectors may be appointed if it appears that there are circumstances suggesting:

(i) that the company's business is being conducted with the intent to defraud its creditors or the creditors of any other person or otherwise for a fraudulent or unlawful purpose or in a manner oppressive of any part of its members or that it was formed for any fraudulent or unlawful purpose; or

(ii) that persons concerned with the company's formation or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or other misconduct towards it or towards its members; or

(iii) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect.

Under Section 172 of the Companies Act, 1948, where it appears to the Board of Trade that there is good reason to do so, inspectors may be appointed to investigate and report on the membership of any company for the purpose of determining the persons who are or have been financially interested in the success or failure of the company or able to control or materially influence the policy of the company.

ACCOUNTANTS' RESPONSIBILITIES

PRESIDENT'S REMARKS AT NEWCASTLE DINNER

The annual dinner of the Northern Society of Chartered Accountants was held in Newcastle on Friday, November 13th, and in one or two respects the ill-luck associated with that date affected the arrangements.

On his journey to Newcastle, the President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., was three times held up by car engine trouble. That very day, Mr C. P. Barrowcliff, F.C.A., a member of the Council of the Institute, who was to have proposed the toast of 'The Guests', was laid low with laryngitis. Colonel R. Mould-Graham took over this duty.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Sir William Scott, O.B.E., J.P., a Tyneside industrialist, said that it was his first visit to this famous society despite the fact that he had been in Newcastle for forty years. However, in this brief encounter he had already met very many old friends.

Institute's Eightieth Year

Responding to the toast, Mr Peat said that the Institute was now in its eightieth year, and had grown from a thousand or so more or less unqualified men, largely engaged on bankruptcy work, to a profession of 32,000 highly qualified people, prepared to serve the community in all the manifold branches of the accountant's art. He went on:

'Fifty-two years ago my father, speaking in this great city as President of the Institute, claimed that the Institute, then twenty-seven years old, had "brought its members out of oblivion to a position of great responsibility". I claim that the half-century that has passed, has seen those responsibilities immeasurably increased, and our capacity to meet them kept continuously up to date.

'Many things we have learned, but one before all others is that we must not content ourselves with the historic review of our clients' accounts, but must equip ourselves to help them plan their future progress by all the present known aids, and their future modifications and improvements. Ours is not a static art, its basis is precision, but on known factors we seek to assist our clients to build for the future.

'As the Institute increases in numbers, there is an increasing difficulty in maintaining that sense of cohesion, that sense of communal effort which is the vital inspiration in any profession. When members on qualification cease to be interested in the collective progress of their profession, then that profession starts to wither from its fringes, with dire results for the firms who have dissociated themselves from the main body of research and progress.

'The Council of the Institute, to combat this possibility, has distributed to each member a handbook which contains all the Council recommendations, and is continuously kept up to date.'

Mr Peat referred to the district societies' 'wonderful job' in keeping their members in touch with the march of progress, and through residential and other courses, giving their members the chance of keeping abreast with the latest developments. In short, he added, the Institute is moving forward in steady purposeful strides into an ever-changing industrial world.'

In conclusion, Mr Peat said:

'Let my final words be those of my father: "We can look with confidence to the future, realizing that the experience, the efficiency, the honour and the uprightness of our members will remain for their successors as it has been for us, a guarantee that those who will have the honour of replying to this toast in future years will have the same story to tell of prosperity for the Institute and public confidence in its members".'

The toast of 'The Guests' was proposed by Colonel R. Mould-Graham, O.B.E., M.C., T.D., D.L., J.P., F.C.A., and Mr G. R. Hodnett, T.D., B.A., President of Newcastle upon Tyne Incorporated Law Society, responded.

Pictured at the dinner (*left to right*): Sir William Scott, O.B.E., J.P., Mr C. U. Peat, M.C., M.A., F.C.A., Mr P. Cooper, T.D., F.C.A., Sir Robert Chapman, Bt., C.B., C.M.G., C.B.E., D.S.O., T.D., B.A., D.L., F.C.A.

The Company

Mr P. Cooper, T.D., F.C.A., President of the Society, presided at the dinner which was held in the Old Assembly Rooms, Newcastle upon Tyne. Among the company of over 300 members and guests were:

Messrs J. W. Adamson (*President, Tyneside Chamber of Commerce*); J. Atkinson, M.A. (*Town Clerk, Newcastle upon Tyne*); R. O. Bearne (*H.M. Principal Inspector of Taxes*);

R. C. Brewis, A.A.C.C.A. (*President, Northern Counties District Society, Association of Certified and Corporate Accountants*); L. Flint, F.C.I.I. (*President, Insurance Institute of Newcastle upon Tyne*); E. Hill, F.A.I. (*Chairman, Northumberland and Durham Branch, Chartered Auctioneers' and Estate Agents' Institute*); R. B. Howard, A.C.A. (*Official Receiver in Bankruptcy*); Dr W. Hunter, F.R.C.O.G. (*President, North of England Branch, British Medical Association*).

Messrs S. W. Lloyd (*H.M. Principal Inspector of Taxes*); C. H. S. Loveday, A.C.A. (*an Assistant Secretary of the Institute*); F. B. Marley, F.C.I.S. (*President, North East Coast Association of Chartered Secretaries*); F. M. Osborne, F.C.I.S., F.R.S. (*President, Northumberland and Durham Association of Building Societies*); R. T. Pease (*President, Newcastle upon Tyne Centre, Institute of Bankers*); Councillor F. Russell (*Deputy Lord Mayor of Newcastle upon Tyne*); Messrs I. N. Swanson, F.R.I.C.S. (*Chairman, Northumberland and Durham Branch, Royal Institution of Chartered Surveyors*); Arthur E. Webb (*Editor, 'The Accountant'*); F. Wilcock, F.S.A.A., F.I.M.T.A. (*City Treasurer, Newcastle upon Tyne*); together with the Presidents of other district societies of the Institute.

DINNER IN DARLINGTON

'Now Through Worst of Post-war Inflation'

The North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants held their tenth annual dinner at *The King's Head Hotel*, Darlington, on November 11th. Mr E. B. Goldson, A.C.A., the Chairman of the Branch, together with Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute, received the 175 members and guests.

Among those present were Mr Harold Wincott, director and editor-in-chief, Investors Chronicle Ltd; Mr C. F. Meikle, President, Durham and North Yorkshire Law Society; Mr P. Cooper, T.D., F.C.A., President, Northern Society of Chartered Accountants, and

Messrs F. W. Baker, F.R.I.C.S., F.A.I. (*Chairman, Chartered Auctioneers' and Estate Agents' Institute, South Durham and North Yorkshire Sub-Branch*); C. W. Boyce, C.B.E., F.C.A. (*a Past President of the Institute*); N. Elliott, F.C.I.S. (*Chairman, The Chartered Institute of Secretaries, Tees-side and District Branch*); C. A. Evan-Jones, M.B.E. (*an Assistant Secretary of the Institute*); K. A. Kindon (*Vice-President, Tees-side and South West Durham Chamber of Commerce*); J. M. Parker (*Chairman, The Institute of Bankers, Middlesbrough and District Centre*); I. Smith, F.R.I.C.S. (*President, North Yorkshire and South Durham Area, Royal Institute of Chartered Surveyors*); V. R. Smith, F.C.W.A. (*President, The Institute of Cost and Works Accountants, Middlesbrough and District Branch*); E. Duncan Taylor, F.C.A. (*a member of the Council of the Institute*); Col. R. P. Winter, M.C., T.D., D.L., F.C.A. (*a member of the Council of the Institute*).

Interpretation of Accounts

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Mr Harold Wincott, who declared that accountants and financial journalists had matters of very great interest in common, one to the other. They were constantly studying the same questions, but whether they arrived at the same answers was perhaps another matter.

They had, in the past, had their differences, but he did not want to take up the old questions of replacement cost *versus* historic cost. 'We have', he added, 'sometimes had some difference of opinion as to your interpretation of "true and fair" and the financial journalists' interpretation of these three very pregnant words.'

Mr Wincott said that he believed that today the probability was that the United Kingdom was through the worst of the post-war inflationary period and if it was so, then most of these problems that had perplexed them in their profession may now be over. He continued:

'I would like to say – in all sincerity – that the admiration in which your profession is held throughout the entire community, and indeed throughout the entire world, is a very real admiration. You have set standards throughout your entire history which are upheld not only in this country but all over the world.

'I admit that political trends have played into your hands. We are now in a position when literally we cannot move hand or foot without having an accountant to help us on our way. You have established this tremendous reputation for integrity and uprightness which is the admiration of us all.'

Industrial Expansion

Before Mr Peat responded to the toast, Mr Goldson recalled that he had been a founder member of the Branch, and the first member of the Northern Society to have been elected national president since the Society was formed in 1883.

In his response, Mr Peat said that Tees-side was potentially one of the most rapidly expanding industrial districts in the United Kingdom. There was a varied and important cross-section of industrial enterprises – steel, chemicals, shipbuilding, heavy and light engineering, etc. – and one of the best ports on the east coast. He continued:

'There are, I believe, two main problems to Tees-side expansion – housing and water. The former we can deal with, the latter is and for some years will be intractable until further reservoirs have been provided. This is not the occasion to deal with the difficult problem of pollution, but as an accountant I have often wished to have had the chance of checking the heavy costs and unemployment which we are so often told would result from any attempt to cleanse the river. . . .

'You may well ask what has this to do with The Institute of Chartered Accountants? My answer is that it has everything to do with our profession. Tees-side, to expand on a sound basis, must expand with the greatest forethought, founded on precise information, and we chartered accountants, whether in industry or practice, have a vital and essential role to play in providing the information and collating it so that it can be readily appreciated and used to form future policy. Our clients require to see from their balance sheets and profit and loss accounts a regular and prompt story of their achievements. We are entering a period of work study and management accountancy, and we must not only provide the men to do this work and be prepared to assist them in their efforts, but we must also be in a position to gear the results of their labours into the final picture.'

The toast of 'Our Guests' was proposed by Mr J. H. Eltringham, M.B.E., T.D., B.COM., F.C.A., and the response was made by Mr C. F. Meikle.

At the conclusion of the speeches, Mr Goldson paid a tribute to the work of the honorary secretary, Mr H. B. Kilvington, A.C.A., who had been almost solely responsible for the arrangements.

ATTACK ON APATHY

Birmingham Chartered Accountant Students' Annual Dinner

Two speakers at the annual dinner of the Birmingham Chartered Accountant Students' Society on November 13th attacked apathy among some accountants and students.

Mr P. F. Carpenter, F.C.A., Chairman of the Examinations Committee of The Institute of Chartered Accountants in England and Wales, said he sometimes had the feeling that among their 32,000 members there were far too many who did not take their proper place in the activities of the Institute.

Mr D. K. Rowe-Ham, Hon. Secretary of the Birmingham Students' Society, said that the only danger to their having a very successful season lay in the apathy among members.

Mr Carpenter, who was replying to the toast to the Institute, stated that the committee which had been set up to consider the whole question of education and training of articled clerks had been meeting with ready help from everyone – principals, leaders of industry, educationists and district societies. The committee was now weighing the evidence and considering the testimony, but it was not yet in a position to make a report.

Mr Carpenter then spoke about accountants taking their proper place in the Institute's activities, saying:

'One knows that accountants are busy people, but I think it would be safe to say that on the Council we have a cross-section of the busiest accountants in the country, not only in practice, but in industry as well.

'We all owe a debt to our profession, and we would ask you to start repaying that debt as soon as you become qualified.'

A direction in which help was particularly needed was teaching. All over the country there was a great shortage of teachers in accountancy subjects.

'If any of you here feel that, after passing your examinations, you would like to indulge in teaching – either whole- or part-time – there are many niches which require filling.'

Inadequate Attendances

Replying to the toast to the Birmingham Students' Society, Mr Rowe-Ham said: 'Is it not deplorable that out of our 1,300 members only about twenty-five to thirty turn up to the weekly talks given by speakers who are acknowledged experts in their own professions?'

The majority of these lectures were of a general nature designed to benefit all students, whether in their first or final years.

In an endeavour to find out the likes and dislikes of members the committee recently sent out a questionnaire asking whether they approved of the lecture programme.

There were 117 who answered 'Yes', twenty-five who said 'No', and there were sixteen 'don't knows'.

To a second questionnaire asking whether the students thought the Society could help, replies came back in very similar numbers.

The small number of replies received, he added, was some indication of the lack of interest in the Society and considering that Birmingham was the second largest society in the country, the results were extremely disappointing.

Many said that they could not afford the time to come and that the Society was of no use to them. But, said Mr Rowe-Ham, if the Society was of no use to its members it would have ceased to function many years ago.

Proposing the toast to the Institute, Mr F. Vincent Everard, M.I.MECH.E., J.P., said that nowadays it was far easier to be a watcher than an active participant. Yet to take an active part in things was so much more important.

Accountancy 'Exportable'

Mr J. F. Milward, M.A., LL.B., J.P., the Birmingham Stipendiary Magistrate, who proposed the toast to the Students' Society, classed examinations with television and income tax as among the 'deplorable institutions of our day'. He added that there might be some doubt about the inclusion in the list of income tax, in fact he suggested a toast to income tax might well be proposed at a dinner such as this.

In more serious vein, Mr Milward spoke of accountancy as a 'very great profession', and said:

'Sometimes lawyers say hard things about accountants, and sometimes accountants say hard things about lawyers. But the two professions have very much in common.

'One of the greatest features of British accountancy is that it is an exportable commodity – British accountants are to be found all over the world. Go into a village in the wilds of Africa and you are quite likely to find a hut with a neat brass plate bearing the name of an accountant.

'It is immensely creditable to accountancy and to this country that our accountancy follows our trade and sometimes goes abroad independently of it, maintaining British standards of accuracy, probity and independence.'

Accountants, like members of the Bar, are an independent body and proud to be so. Because of that independence, he declared, accountants were able to advise their clients fearlessly and honestly, and an accountant's word on a balance sheet was accepted everywhere in the country.

The other toasts were: 'Our Guests', proposed by Mr J. C. Bodycote, Hon. Treasurer of the Society, with the response by Lieut.-Col. D. V. Hill, M.A., Steward of Christ Church, Oxford; and 'The President', proposed by Mr A. H. Marris, and responded to by Mr E. T. Worsley, M.A., F.C.A., J.P.

The Company

The President of the Society, Mr E. T. Worsley, presided at the dinner, which was held at *The Grand Hotel*, Birmingham. Over 370 members and guests attended, and among those present were:

Messrs W. L. Barrows, LL.D., J.P., F.C.A. (*Immediate Past President of the Institute and a member of the Council*); T. A. Hamilton Baynes, M.A., F.C.A., J.P. (*a member of the Council of the Institute*); Ven. S. Harvie Clark, M.A. (*Archdeacon of Birmingham*); Professor Donald Cousins, B.COM., A.C.A. (*Professor of Accountancy, The University of Birmingham*); Mr Stanley Dixon, M.A., F.C.A., J.P. (*a member of the Council

of the Institute); Col. R. B. Leech, M.B.E., T.D., F.C.A. (*a member of the Council of the Institute*).

Messrs H. James Gittoes, F.C.A., J.P. (*Chairman, Joint Lecture Committee*); E. J. Newman, M.A., F.C.A. (*Vice-President, The Birmingham and District Society of Chartered Accountants*); Councillor W. H. Pettinger, F.A.C.C.A. (*President, Association of Certified and Corporate Accountants, Birmingham and District Students' Society*); Messrs K. J. Milligan, M.A., F.C.A. (*Vice-President, The Birmingham Chartered Accountant Students' Society*); K. H. Rowe-Ham, C.A.; W. M. Allen, B.A. (*an Assistant Secretary of the Institute*); C. J. Mason, F.C.A. (*Hon. Secretary, The Birmingham and District Society of Chartered Accountants*).

MANAGEMENT ACCOUNTING WITH A COMPUTER

COST ACCOUNTANTS' COURSE AT OXFORD

Cost accountants from many British industries – both nationalized and privately owned – assembled at *The Randolph Hotel*, Oxford, last week-end to exchange experiences and to discuss the future of electronic data-processing techniques.

At the opening session, the guest chairman was Mr John Diebold, the world renowned American authority on the subject, who has been called 'the father of automation'. In his opening address, Mr Diebold asked the question 'Why automate management accountancy?' He considered that there were three reasons why management accounting should *not* be automated, they were: *not* just to justify the acquisition of a computer; *not* to save money; and *not* for the sake of accuracy.

Reason for Automating

The reason for automating should be the fact that automating is an attempt to break through the limitations of other methods of accounting; these limitations Mr Diebold summarized as: -

(1) *Time limitations*
The production of accountancy information for management is frequently delayed beyond the point of its being of use to management.

(2) *Volume limitations*
The sheer volume of data can often preclude its being processed into useful information.

(3) *Control limitations*
Traditional management accounting methods tend to produce information which highlights the symptoms of trouble rather than the causes.

Describing how these limitations could be abolished with the aid of a computer, Mr Diebold suggested that the equipment which is available today, and that which is likely to be available within the next few years, should be prime considerations when the possibility of automation is being discussed.

Equipment now available enabled a greater volume of information to be provided for management, but it was important that executives should not be overwhelmed by such an increase in quantity. In Mr Diebold's opinion, management is already receiving 'too much paper'; in support of this, he instanced a case where he asked to see the current production reports of one of his American clients: these reports were wheeled into the office on a trolley! Some American executives were receiving reports at the rate of one every ten minutes.

Speaking of the data-processing equipment which will be available within the next few years, Mr Diebold said that rational projections of the possibilities may sound quite irrational today; great advances were being made in the military field and the knowledge thus gained was being quickly adapted for industrial use. A computer shortly to come into operation in America would, in five minutes, do work which was now taking one day of an existing computer's time.

Mr Diebold continued his glimpse of the future by drawing attention to the control of naval vessels by computers and visualizing how these techniques could be adapted in industry. He thought that management accountants would become increasingly important members of the top management team as accountancy became part of integrated data processing. The question for the management accountant was not whether the techniques of electronic data processing should be applied, but how well they could be applied to satisfy the needs of management.

Replying to questions, Mr Diebold said that the management accountant was not likely to become redundant with the extension of the use of computers on problems of process control, but his role would increasingly become that of systems designer and adviser to management.

The speaker did not consider that management accounting was being brought into electronic data processing at too early a stage; this would depend entirely upon the particular firm.

In reply to the suggestion that the middle level of management was not ready for the revolution brought about by the introduction of computers, Mr Diebold agreed; more training and education were needed. It was essential that this education should be directed to the users of the information; it should be concentrated on what the computer system could do, rather than how it could do a particular job.

Group Discussions

The members attending then divided into groups to discuss the following aspects of the subject:

'Recognition of the possibilities', under the leadership of Mr P. A. Bundy, F.C.W.A., A.A.C.C.A.;

'Investigation and planning', led by Mr J. W. Fewlass, A.C.W.A.;

'Installation and operation', led by Mr E. M. Renals, A.C.W.A.

These discussions continued at various times until Sunday afternoon, when, in a final plenary session, Mr Ralph E. Weindling, managing director, John Diebold and Associates, Inc, New York, who deputized for Mr Diebold, summarized the reports which had been prepared by the group leaders.

Mr Weindling said that when consideration was being given to the installation of a computer it was essential that management objectives, as opposed to systems objectives, should receive careful attention.

In Parliament

Income Tax: Schedule A

MR ALBU asked the Chancellor of the Exchequer if he will re-examine the need for maintaining Schedule A assessment on dwelling-houses up to a certain annual value; and, in such re-examination, if he will bear in mind the evidence in favour of its abolition set out in the Report of the Commission on Taxation in the Republic of Ireland, a copy of which has been sent to him by the hon. Member for Edmonton.

Mr AMORY: I am bearing in mind the arguments on all sides of this question.

Mr ALBU: Does not the Chancellor agree that there is a comparison between the relief on Schedule A assessments up to a certain value and the relief which is already given to the interest on bank savings deposits and National Savings Certificates and the exemption in the case of life insurance premiums and so forth?

Mr AMORY: I think there is some substance in what the hon. gentleman says. He will remember, of course, the considered advice of the Royal Commission on this subject, which, of course, we cannot completely disregard.

Hansard, Nov. 10th, 1959. Oral Answers. Col. 174.

Post-war Credits

Mr BIGGS-DAVISON asked the Chancellor of the Exchequer whether he has now completed his consideration of the broadening of the categories on which post-war credits are paid on hardship grounds, particularly of sickness.

Mr AMORY: As I said in reply to questions last week, I cannot make any statement at present about further payment of post-war credits, but I have undertaken to give careful consideration to the case of the long-term sick.

Mr PATON asked the Chancellor of the Exchequer when he proposes to reduce the age for repayment of post-war credits by another five years for both sexes; and how much this repayment would cost.

Mr AMORY: I cannot make any statement at present about the possibility of reducing the qualifying ages for payment of post-war credits. The cost of reducing the age by five years for both men and women would be £82 million.

Mr PATON: In view of the much trumpeted prosperity of the country at present, and in view of the relatively low cost of this proposal, does not the Chancellor agree that it is high time that repayment of this national debt of honour was greatly accelerated?

Mr AMORY: I agree with the hon. gentleman that the sooner we can make repayment of this debt, which has been outstanding for such a long time, the better. I am not sure I agree with him that this is a relatively unimportant sum and, of course, all the time one has to watch the inflationary consequences of excessive payments of this kind.

Hansard, Nov. 10th, 1959. Oral Answers. Col. 175.

European Free Trade

Mr CHETWYND asked the Chancellor of the Exchequer whether he will make a statement on the progress made in the discussions for the establishment of a European Free Trade Area both with the seven countries and the members of the Common Market.

Mr AMORY: Ministers of the seven countries of the Stockholm Group will be meeting on 19th and 20th of this month to consider a draft Convention setting up a European Free Trade Association. No discussions are in progress at the present time with the Common Market countries, but it is our hope that the Convention will be a step towards a wider agreement embracing the whole of Western Europe.

Hansard, Nov. 10th, 1959. Oral Answers. Col. 178.

Business Expenses: Taxation

Mr CRONIN asked the Chancellor of the Exchequer, in view of the extent to which the standard of living of business executives and their customers is affected by expense account spending, with a consequent loss to the Revenue, whether he will instruct the Board of Inland Revenue to publish figures of such expenditure, on a national or sample basis, extracted from the returns made to them.

Mr AMORY: I regret that this information is not available.

Mr CRONIN: Could not this information be available if appropriate efforts were made? Is the Chancellor aware that there is long-standing grave public concern on this matter, and that nobody knows the real extent of the abuse? If the Inland Revenue Department would take some effective action much could be done to resolve the situation.

Mr AMORY: I do not dissent about the importance of the question and I am considering whether there are any ways in which we can obtain better information than we are securing at present. I am looking into the alternative means of doing that. There is no difference between the hon. gentleman and myself as to the importance of ensuring that the Inland Revenue secures the payment of revenue to which it is entitled.

Mr GOODHART asked the Chancellor of the Exchequer whether he will appoint a committee to review the rules for tax relief on business expenses.

Mr AMORY: I doubt whether a committee of inquiry would serve a useful purpose, but I am keeping the general question of the treatment of business expenses in regard to taxation under review.

Mr GOODHART: Apart from the possibility of gain to the Revenue, would not such a committee be an admirable way of establishing how much truth there was in some of the extravagant charges which were made during the election campaign?

Mr AMORY: It is awfully easy to proliferate the appointment of committees. One question which one has to consider is whether one can collect all the relevant information to enable a judgment to be made without the process of having a committee. I am not quarrelling with my hon. friend's suggestion that this is an important matter which justifies continuous consideration.

Hansard, Nov. 10th, 1959. Oral Answers. Col. 181.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., gave a luncheon party last Tuesday at *The Savoy Hotel*, London. The guests were:

Lord Piercy, Lord Mills, Sir Norman Brook, Sir Arthur fforde, Sir Alexander Johnston, Sir Thomas Robson, Mr W. Lionel Fraser, Mr W. H. McFadzean, Mr W. E. Parker and Mr S. J. Pears.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting by Electronic Methods with Particular Reference to the Auditor: a paper; by J. W. Margetts, F.C.A. (Summer Course). Institute of Chartered Accountants. 1959.

Building Societies with Trustee Status. (Registrar of Friendly Societies.) 1950. (Typescript.)

Business Efficiency – the Part of the Accountant: a paper; by C. I. Bostock, F.C.A. (Summer Course). Institute of Chartered Accountants. 1959.

Classification and Coding Techniques to Facilitate Accounting Operations. (National Association of Accountants.) (New York, 1959.) (N.A.A., 20*s*.)

Employer's Liability at Common Law; by J. Munkman: Fourth edition. 1959. (Butterworth, 42*s* 6*d*.)

A Guide to Royalty Agreements. (Publishers Association.) Fourth edition. 1959. (P.A., 21*s*.)

Internal Auditing; by W. W. Bigg, F.C.A., and J. O. Davies, F.C.A. Second edition. 1959. (H.F.L., 21*s*.)

Motivation Research . . . for advertising, marketing, and other business purposes; by H. Henry. 1958. (Crosby Lockwood, 30*s*.)

Prescription for Partnership: a study of industrial relations; by W. Wallace. 1959. (Pitman, 25*s*.)

Some Practical Aspects of Death Duties: a paper; by B. G. Rose, A.C.A. (Summer Course.) Institute of Chartered Accountants. 1959.

Spicer and Pegler's Income Tax and profits tax; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: Twenty-third edition by H. A. R. J. Wilson, F.C.A. 1958. Supplement 1959. (H.F.L., 30*s*, 2*s* 6*d*.)

The Taxation of 1297: a translation of the local rolls for . . . Bedford. . .; by A. T. Gaydon. 1958. (Bedfordshire Historical Record Soc., 25*s*.)

Trade Union Law; by H. Samuels: Sixth edition 1959. (Stevens, 17*s* 6*d*.)

Work Measurement in the Office: a guide to office cost control; by E. V. Grillo and C. J. Berg. New York. 1959. (McGraw Hill, 45*s*.)

PERSONAL

MESSRS R. J. BROOKS & Co, Chartered Accountants, of 7 Moorfields, Liverpool, 2, announce that they have admitted into partnership Mr GEOFFREY H. LOW, A.C.A. The style of the firm will remain unchanged.

MESSRS COOPER BROTHERS & Co and MESSRS COOPERS & LYBRAND announce that as from November 23rd, 1959, their address in London will be: Abacus House, 33 Gutter Lane, Cheapside, London, EC2. The business of COOPER BROTHERS & Co was begun in George Street, Mansion House, in 1854. The firm's present premises there and the other premises in London at 3 Throgmorton Avenue and Princes House, Gresham Street, will all be closed on the above date.

MESSRS PANNELL, CREWDSON & HARDY, Chartered Accountants, of Lagos and Kaduna, Nigeria, announce that Mr DENNIS JOHN NEVILLE, A.C.A., formerly the resident manager in Kaduna, is now a partner in the Nigeria firm.

MESSRS BARTON, MAYHEW & Co, Chartered Accountants (Australian firm), announce that they have opened offices at Dalton House, 115 Pitt Street, Sydney, New South Wales, and at Melbourne, Adelaide and Brisbane.

MESSRS SABA & Co announce that Mr GEORGE B. GHALI, A.A.C.C.A., has been admitted to partnership in their Middle East firm as from August 1st, 1959. Mr GHALI has been a senior member of their staff for the last six years.

PROFESSIONAL NOTES

Mr F. C. T. Lane, F.C.A., has been elected to the board of Telephone Rentals Ltd.

Mr F. H. R. Baraldi, F.C.A., assistant regional manager of The Coca-Cola Export Corporation, has been appointed United Kingdom regional manager of the company.

Mr S. H. Coomer, A.C.A., assistant general manager of the District Bank Ltd, has been appointed joint general manager as from December 31st.

Mr F. A. Ross, A.C.A., secretary of Edgar Allen & Co Ltd, has been appointed to the board of the company.

Mr G. R. McKenzie, A.C.A., has been appointed managing director of the Carborundum Co Ltd as from January 1st, 1960. He will be succeeded by Mr T. G. G. Peterson, A.C.A., as controller of the company.

Mr J. H. Wilson, A.I.M.T.A., A.C.W.A., accountant/secretary, Midlands Electricity Board, Worcester and district sub-area, has been appointed deputy chief accountant of the board as from December 1st.

Mr David A. de Sax, A.C.A., has been appointed a director of Wrensons Stores Ltd.

OBITUARY

Sir Frederick Rowland, Bt., F.C.A.

We have learned with regret of the death on November 13th, at the age of 84, of Sir Frederick Rowland, Bt., F.C.A.

Sir Frederick, who served as Lord Mayor of London in 1949–50, was articled to the late Mr Wentworth H. Price, F.C.A., of Cardiff, in 1895 and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1901. In the following year he moved to London where he founded the firm of F. Rowland & Co, Chartered Accountants, of Crosskeys House, 56 Moorgate, EC2. He was elected to Fellowship of the Institute in 1913.

In 1922 he was elected to the Ward of Cordwainer in the City of London as Common Councilman and so began his long association with local government. As Chief Commoner in 1936 he accompanied the late Sir Percy Vincent, then Lord Mayor, to Vancouver to present a replica of the Mace of the City of London. He served as a Sheriff of the City from 1938–39, being knighted at the close of his year of office, and in 1942

became an Alderman of the Coleman Street Ward. He served as Lord Mayor in 1949–50, after twenty-seven years' service to the City, and received the honour of a baronetcy in November 1950.

A livery man of the Worshipful Company of Horners, of which he twice served in the office of Master, Sir Frederick was a trustee of Morden College; Commissioner of Taxes, City of London; a member of the London Airports Advisory Committee, and a Governor of St Bartholomew's, St George's and the City of London Maternity Hospitals.

He is survived by Lady Rowland and one son, Mr Wentworth Lowe Rowland, F.C.A. (senior partner in the firm of F. Rowland & Co), who succeeds to the baronetcy, and two daughters.

INSPECTION OF EGLINTON HOTELS' AFFAIRS

Mr T. C. Currie, M.A., C.A., a partner in the Glasgow firm of Messrs Thomson, McLintock & Co, Chartered Accountants, and Mr J. O. M. Hunter, Q.C., have been appointed as inspectors to investigate the affairs of Eglinton Hotels (Scotland) Ltd following application made by members of the company under Section 164 (1) of the Companies Act, 1948.

The latest accounts of the group show a trading loss of £6,646 to October 31st, 1958, compared with a profit of £66,498 in the preceding year, and the company incurred a net loss of £29,861. In a qualified report to shareholders the auditors stated:

> 'We are not satisfied that all invoices rendered to the company and all payments made by the company have been for goods supplied or services rendered to the company or that furniture, furnishings and equipment on hand on October 31st, 1958, or purchased during the year have been properly accounted for. We have been unable to satisfy ourselves that a debt of £3,641 due to the company at October 31st, 1958, will be fully recoverable.'

They further declared that in view of the position they were unable to report that the balance sheet and profit and loss account gave a true and fair view of the state of the company's affairs and of the loss for the year.

NATIONAL PENSION SCHEME
Contracting-out Procedure

The first group of regulations[1] dealing with the arrangements for contracting out of the new graduated retirement pension scheme for employees who belong to occupational schemes have now been made by Mr John Boyd-Carpenter, Minister of Pensions and National Insurance, and take effect from November 13th. They deal with the procedure for contracting out and the conditions under which occupational schemes may be recognized for this purpose.

[1] *The National Insurance (Non-participation – Certificates) Regulations, 1959*. S.I. 1959, No. 1860. H.M.S.O. 5*d*.
The National Insurance (Non-participation – Benefits and Schemes) Regulations, 1959. S.I. 1959. No. 1861. H.M.S.O. 3*d* net.

SCOTTISH INSTITUTE'S NEW DIRECTORY

The *Official Directory, 1959–60*, of The Institute of Chartered Accountants of Scotland, now published, shows that membership of the Institute at July 1st, 1959, numbered 6,551 – an increase of 101 on the previous year's figure. A summary of the total membership states that there were 3,438 members in Scotland, of whom 1,044 are in practice on their own account or as partners in firms. Of the remaining membership, those in the United Kingdom other than Scotland numbered 2,018 (250 being in practice), and those abroad totalled 1,095.

The *Directory*, which extends to 492 pages, contains the usual alphabetical and topographical lists of members, together with details of the membership of the Council of the Institute, and of the standing and local Committees.

FIFTY YEARS' SERVICE

To celebrate fifty years' service with the firm of Messrs Harper, Feather & Paterson, Chartered Accountants, of Angel Court, Throgmorton Street, London, EC2, the past and present partners of the firm and senior employees gave a luncheon in honour of Mr W. E. Ely, one of their senior audit clerks, on November 12th, at *The Great Eastern Hotel*.

The event, which was also attended by Mrs Ely, had previously been marked by the presentation of a gift of furniture to Mr and Mrs Ely.

STOKE-ON-TRENT CHARTERED ACCOUNTANTS' DINNER

The annual dinner of the Stoke-on-Trent Area Branch of the Birmingham and District Society of Chartered Accountants was held at *The North Stafford Hotel*, Stoke-on-Trent, on November 11th, with Mr C. C. Bullock, T.D., J.P., A.C.A., in the chair. The company of 157 members and guests included:

Messrs S. J. Pears, F.C.A. (*Vice-President of the Institute*); R. H. Plant, T.D., J.P. (*Vice-President, British Pottery Manufacturers' Federation*); V. A. McKnight, (*President, North Staffs Law Society*); Sir George Wade; Messrs S. Dixon, M.A., A.C.A. (*a member of the Council of the Institute*); W. F. Tidswell, A.C.A. (*President of the Birmingham and District Society of Chartered Accountants*); C. Knapper (*President, North Staffs Architectural Association*); C. G. Woods (*President, Insurance Institute of Stoke-on-Trent*); N. R. Hamnett (*President, North Staffs and District Centre, Institute of Bankers*); and W. M. Allen (*an Assistant Secretary of the Institute*).

Replying to the toast of 'The Institute', Mr. Pears referred to the great amount of reorganization being carried out in the Institute at present, due to the growth of the profession and to integration. He praised the progress made by the Stoke-on-Trent Branch in

increasing membership and interest in the work of the Institute.

The toast was proposed by Mr Plant, who spoke of the vital role accountancy had played in the re-organization of the pottery industry after the last war. 'Whatever was achieved', he added, 'owed a great deal to the accountants who introduced vastly more accurate methods of costing and of general control and for their help in the interpretation of the complex system of taxation.' In the near future, he believed, their financial advice would be sorely needed again to meet increasing competition. He said the industry needed further improved efficiency, increased output, and even greater concentration of effort 'under less roofs'.

The branch chairman, Mr C. C. Bullock, proposed the toast of 'The Guests' and Mr V. A. McKnight responded.

NEED FOR MANAGEMENT ACCOUNTANTS

Manchester Cost Accountants' Dinner

Responding to the toast of 'The Institute of Cost and Works Accountants' at the annual dinner of the Institute's Manchester Branch on November 12th, Mr Edward Emmerson, A.C.A., F.C.W.A., the President of the Institute, referred to the deficiency in the number of qualified cost and management accountants to cover the vast requirements of British industry. The matter was particularly important in view of the competition from overseas countries which underlined the need for the elimination of all waste, whether in methods, man-power or material. He added that the Institute realized that special qualities were needed by men holding important positions in the accounting function in industry, and it was after deliberations extending over some years that the Council decided in 1952 to make fellowship of the Institute a qualification in management accountancy and subject to the passing of a further examination.

Mr Emmerson stated that there seemed to be a view that historical costing was somewhat old-fashioned and rather unnecessary. However, all costing systems had to be judged by their efficiency in the firm concerned and no generalization could be made which would be applicable to all industries: he emphasized that in many industries historical costing was an absolute necessity.

Norfolk and Suffolk Branch Dinner

The annual dinner of the Norfolk and Suffolk Branch of The Institute of Cost and Works Accountants was held at *The Great White Horse Hotel*, Ipswich, on October 23rd. A distinguished company of members and guests was received by the Branch President, Mr G. P. Clarke, F.C.W.A., and Mrs Clarke, together with the President of the Institute, Mr Edward Emmerson, A.C.A., F.C.W.A., and Mrs Emmerson. Among those who attended were the Mayor of Ipswich, Councillor R. J. Lewis, J.P., and Mrs Lewis; Sir Clavering Fison, D.L., J.P., chairman, Fisons Ltd; Mr R. Whiting, A.M.I.C.E., A.M.INST.GAS.E., general manager, Eastern Gas Board, Ipswich Division, and Mrs Whiting; and Mr Derek du Pré, Secretary of the Institute.

Proposing the toast of 'The Institute of Cost and Works Accountants', Sir Clavering Fison spoke of the big contribution made by cost accountants to the efficiency of industry and stressed the importance of this and the value of profit consciousness from board-room to factory floor. Sir Clavering, continuing, drew attention to the potential economic impact of Russia and India and considered it was vital that the United Kingdom should become a member of a united European economy, in order to maintain full employment and the standard of living.

In response to the toast, Mr Emmerson agreed with Sir Clavering's remarks on the country's future economy and said that the Institute's function was to assist management to face future competition. With over 6,000 members and over 16,000 registered students the Institute could look forward to continued growth.

The toast of 'The County Borough of Ipswich' was proposed by Mr Derek du Pré and Councillor Lewis responded. Mr H. C. Rouse, A.C.W.A., proposed the toast of 'The Guests', and the response was made by Mr R. Whiting.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, *5.30 p.m.*, at the Institute: Lecture on 'The evolution of common law and equity', by Mr Peter Shier, Barrister-at-Law.

Tuesday, Visit to the Royal Mint (limited number).
5.30 p.m., at the Institute: Practice debate on the motion 'This house declines to look before it leaps', with summary and comments by Miss H. M. Taylor, Principal, Abbey School for Speakers.

Wednesday, Film and demonstration of punched-card accounting (limited number).
Association Football *v.* Guys Hospital.

Thursday, *5.15 p.m.*, at the Institute: Introductory course lectures on 'Taxable income', by Mr J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S.; and 'The law of sale of goods', by Mr A. C. Staples.
6.30 p.m., at St Paul's Tavern, Students' Supper.

ANNOTATED TAX CASES

Part 2 of Volume XXXVIII of the *Annotated Tax Cases* edited by Mr Roy Borneman, Q.C., is now published and contains reports, with notes on the judgments, of the following cases: *Chuwen v. Sabine* (Ch.D.); *In re Tapp* (C.A.); *Abbott v. Philbin* (Ch.D.); *Bentley v. Evans* (Ch.D.); *Farthing v. C.I.R.* (Ch.D.); *Watson v. Samson Brothers* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

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CONTENTS

O. & M.

EFFICIENCY in productive work did not begin with F. W. TAYLOR: it was when men were brought together in factories that the comparison of individual performances under uniform conditions became practicable; it was when factories increased in size that the lessening of immediate personal supervision made necessary the establishment of generally acceptable and applicable standards of performance and organization, and the development of factory machinery made possible increasing extensions of productive efficiency.

In the sphere of managerial and clerical work, closely parallel problems and opportunities have emerged in recent years. The increasing complexity of factory organization has given rise to parallel complexity in office organization, particularly in the channels of communication; and the increasing size of production units has meant an increase in the volume of clerical work, and so in the number of office workers engaged upon comparable jobs. At the same time, the development of far more elaborate mechanized aids to office work is beginning to make more obvious the possibilities of economy in office manpower.

These factors naturally have their greatest impact on the larger industrial organizations and for some time individual firms have been alert to the possibilities and problems inherent in these developments.

In the study of organization and the simplification and improvement of office methods, the representatives of some larger firms formed the habit some years ago of meeting informally to exchange ideas and experiences, and in 1957 nine well-known companies decided to co-operate for a limited period to form an Organization and Methods Training Council, for which they have provided the finance.

The objects of this far-sighted and ambitious initiative are first to record and disseminate the best practice of the participating firms and secondly, to help in promoting courses of training in organization and methods to be sponsored by local firms in the main industrial centres. The council itself has run two pilot courses, consisting of groups of men from many different companies, and the knowledge and experience of the participants has been pooled with that of the founder companies in the publication this week of an impressive textbook on organization and methods.[1]

The book is intended both as a summary of selected current practices and as a framework on which to base future training in O. & M. work. Each chapter is based on the practice of two or

[1] *Organization and Methods*, edited by G. E. Milward. Macmillan & Co Ltd, London. 63*s* net.

more of the participating companies and the work is thus a symposium, ably edited by MR G. E. MILWARD, the director of training for the council. The arrangement of the contents follows a logical pattern, falling effectively under three headings:

(*a*) Disciplines for determining the purpose and objectives of existing routines.

(*b*) Techniques by which these routines may be examined and analysed.

(*c*) Suggestions for aids to greater efficiency in the office.

The last heading covers a wide field, including consideration of the design of printed forms, a survey of the various types of book, file and equipment used in clerical work, a study of office layout and furnishing, and an extremely clear and detailed exposition of the capabilities of the various types of office machinery. A particularly notable feature of this exposition is a chart on 'the field of office machinery', which shows diagrammatically the various stages of information processing and the machines which exist to serve every aspect of each one of them. This chart is probably unique, and could be invaluable to any harassed executive struggling to find a logical solution to his own equipment problem among the multitude of alternative possibilities presented by office machinery manufacturers.

In the discussion of aids to efficiency, the council is ploughing a field which has been turned before in this and other countries. In their consideration of techniques for studying office procedures, however, the authors are dealing with an area of knowledge which has never been fully documented and, as they point out, has hitherto remained the private property of experienced O. & M. staff. The suggestions they make must be of the greatest value to investigators who, until now, have had to fashion their own tools, often in ignorance of how their colleagues in other organizations were tackling similar problems.

Two reservations must be made and are made by the authors themselves. One is that the present publication is regarded as an interim report to provide the basis for a much broader comparison of ideas and methods, and so lead to subsequent editions even more representative of the best theory and practice. The second reservation is that 'there is no short cut to experience'. Each firm has its own problems and its own method of tackling them. What can be done is to ensure that O. & M. officers acquire the right attitude of mind to their work and that their training is given the detailed attention that their specialist function requires.

The really significant feature of the present publication is that it marks the emergence into full public gaze of the Organization and Methods Training Council as a body which, with all the prestige and experience of its members to support it, has recognized one of the primary problems of industry today: the problem of increasing and often uncontrolled overhead costs; and having tackled that problem itself, is prepared to help others do the same. As a supplement to their publication, the council will provide through the publisher, without charge, a 'crib' or agenda for teaching courses; and they will also supply specimen programmes and problems for the use of organizers of such courses. In addition, one film is available and others are in preparation.

All that remains is for industry and local education authorities to grasp the opportunity of building on the foundation now provided. Any firm of such size that the senior executive cannot exercise personal control over all activities can benefit from re-studying its administrative organization and methods. Over the country as a whole there must be enormous monetary waste, due to inefficient routines and failure to provide adequate information for effective management. It is in the interest not only of individual firms, but of the economy as a whole, that in each industrial area somebody now should take the initiative, whether it be the education authority or one or more employers, in grappling with this problem by organizing training and study groups.

It is certainly to be hoped that the opportunity will not be allowed to pass of drawing on this source of knowledge and experience and of adding to the vitally necessary effort to improve, in this particular sphere, the economic utilization of our resources.

One might wish, also, that the example of this effort in co-operation between leaders of industry might be imitated in other fields. The study of research and development costs, to take one example only, might well justify the type of joint examination which has been applied with such admirable results in the present instance.

How To Control Costs

III – CONTROL OF CAPITAL EXPENDITURE

by R. G. H. NELSON, A.C.A., A.C.W.A.

Introduction

CAPITAL expenditure projects may be initiated for a variety of reasons. One major cause, for example, will be a proposal to manufacture new products or to undertake new types of work. The consideration of such a project will be linked with forecasts of market potential and of productive capacity such as were discussed in considering the establishment of annual budgets. Similarly, a project may be floated for the extension of capacity to manufacture an existing product, or to supplement existing general purpose equipment so as to enable higher total output. Many firms may well have considered such plans in the light of possibilities of expansion under the European Common Market and Free Trade Association schemes.

On a smaller scale, capital investment in plant and equipment may be made if it is decided to manufacture some item or carry out some process previously purchased outside; or if improvements in the specification of a product can be achieved by the use of new tooling and machines. Again, the availability of new types of equipment may make it possible to achieve a given output more quickly or by methods giving a more satisfactory result in terms of finish or durability.

New types of machinery may also make possible results which were unachievable in the past (and this is the main field for exploration in the use of both digital and analogue computers).

Accounting Functions

Whatever the basis of the project, the accounting function will be concerned in its development in four main ways:

(1) In assisting in the estimation of the capital cost of the project, particularly when it involves the use of stores material and the company's own labour.

(2) In preparing a cost justification for the project, that is to say, in showing that the proposed investment will pay for itself.

(3) In exploring and reporting on possible ways of financing the project; and

(4) When the project has been approved, in controlling the expenditure actually incurred and in ensuring that the financial benefits assumed in justifying the project are actually achieved.

Form of Project Proposal

The form illustrated on the next page covers the first three of these functions and is the final form of proposal which would be submitted for approval by the sanctioning authority.

The form comprises four parts, the first giving details of the proposal and an estimate of cost, together with details of the purpose to be served by the implementation of the proposal. The second part of the form breaks down the total anticipated expenditure according to the periods in which cash outgoings may be expected, and indicates the source from which the necessary funds will be drawn.

The third part justifies the proposed expenditure in terms of cost savings; and finally there is space for the signature of the approving authority.

In the case of the small or medium-sized firm, the approving authority would most probably be the managing director. In larger organizations, various levels of authority may be established according to the value and importance of the individual projects.

Before the proposal had been formulated in this manner, there is no doubt that there would have been considerable informal discussion between the managers wishing to make use of the facilities to be provided; the technical staff, if any, concerned with the design, engineering or construction aspects of the project; the purchase staff responsible for outside procurement; and the costing and financial accountants.

Up to the stage of approval in principle by the sanctioning authority, the cost implications of the proposal would probably have been very broad estimates; and possibly a draft proposal embodying these estimates would have been signed, before the commencement of the detailed specifi-

Previous articles in this series were: I – 'Collecting budget information', *The Accountant*, October 3rd, 1959, issue; II – 'Cash forecasting and working capital position', *The Accountant*, October 17th, 1959, issue.

cation and assessment, which is embodied in the form under review.

Limits of Project Cover

In some cases, there may be doubt as to the precise scope of the expenditure which is required to be covered by a special project. At first sight, it would seem that where the usage of company labour and its related overhead expenses, and of stores materials such as maintenance materials, has been covered in the normal operating budgets, there is no need to include

CAPITAL PROJECT PROPOSAL No.

From Date	To

OUTLINE OF PROPOSAL OBJECTIVE	COST ESTIMATE £

FINANCE REQUIRED

Period	Amount £	Period	Amount £

FINANCE AVAILABLE	SOURCE

JUSTIFICATION	£
Anticipated cost savings – per annum	
Anticipated revenue	
(% on Project cost)	
Pay-off period years	

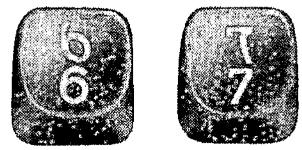
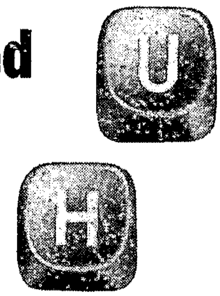
SUBMITTED	Date	SANCTIONED
Originator		Director
Chief Accountant		Date

NOTES:

(1) Approved copies will be distributed to all functions concerned in implementing or controlling the project.

(2) Supporting specifications, cost calculations, etc., will be attached to project control copy.

At last!

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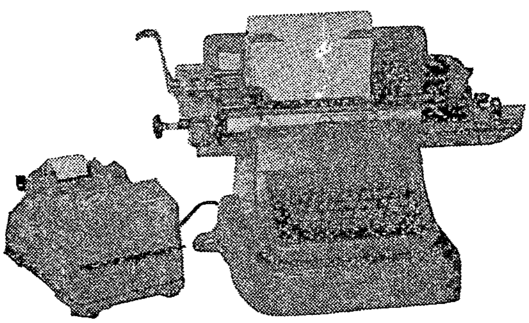

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in a capital project proposal the specific use of such labour and materials for that project. In most cases, however, project proposals are under consideration for some considerable time before the commencement of actual expenditure on the project; and to the extent that company materials and labour are to be used on such projects, it should be possible to eliminate those items from the revenue budgets. It is obviously desirable that some lower limit in money be set beyond which such expenditure must be given separate project sanction.

A possible cause of controversy for a different reason is the treatment of 'try-out' expenses on new installations. These may be considered either as the cost of putting the installation into running order (and so form part of the project cost) or as part of the cost of achieving good production once the equipment has been installed. Some definite policy must be formulated on this point.

A policy decision is also desirable on the extent to which small capital purchases may be written off as revenue expense. This will be of particular importance where a number of similar items may be purchased, each of small value, but amounting in total to a sum significant in relation to the capital investment of the organization.

Cost Justification

The justification of the project may take one or both of two forms:

(*a*) the return that may be expected on the capital employed in the project; and

(*b*) the pay-off period.

The return on capital employed will have to be comparable with the most profitable alternative uses, in which the resources of the organization can be employed, unless, of course, there are other compensating factors, such as:

(*a*) the high speed production of vital management information such as might be obtained by the installation of a computer, and which could not possibly be available by any alternative method;

(*b*) the manufacture of a specialized product not available without investment in new equipment either by the organization or an outside supplier;

(*c*) the amelioration of working conditions either under some legal requirement or because no adequate compensatory remuneration can be established.

In calculating the return on capital employed, one must take into account both annual savings in operating cost, and also any improvement in revenue arising from the implementation of the project (for example, by having made possible an increase in selling price). The calculation of cost savings will be based on a comparison of the cost of the method or activity in existence with the cost of performing the equivalent function in the manner now proposed.

It will normally be easiest not to build up the full cost of the activities under comparison, but to make a comparison only of marginal costs, that is to say, of those items of expenditure which will be affected by the change. It must be borne in mind, however, that if the organization is using predetermined overhead rates, any savings in overhead expense resulting from the change may be spread over a wider area of activity so that the full saving on the particular operation under review may not appear against that operation when costs are collected at a later date on the customary basis.

It should be noted also that as the cost of the total production of the organization must take up all incurred costs, a study for selling price purposes cannot be made safely on a purely marginal basis.

With regard to the pay-off period, this is in effect the number of months or years in which the anticipated cost savings, suitably discounted, will reimburse the initial cost of the project. Cost savings which are not expense savings would not be taken into account in this calculation, of course, the most significant example being differential depreciation.

Availability of Finance

The availability of finances for the project can be discerned from the sort of cash forecast which was illustrated in an earlier article. Should finance not be available from the company's existing resources, then the cost of obtaining financial backing will obviously form part of the recurring cost of the project.

Most accountants in industry will have known cases where a cherished project has been turned down ostensibly on the grounds of lack of finance. While undoubtedly there have been cases where credit restrictions or the basic finance instability of the concern in question has inhibited development work, it will normally be found that the reason for non-acceptance of a project is either its comparative insignificance in relation to other channels for the use of capital, or to some distrust of the project justification. This last matter is obviously entirely in the hands of the accountant.

Project Control

Once the project has been approved, and the approval notified to all those functionaries who are concerned in its implementation, the problem arises of controlling expenditure actually incurred against the project estimate.

For the control of capital cost, the estimate will be required to be broken down under individual headings of expenditure and also under fixed asset accounts, and a record kept of charges incurred by or invoices to the company. This record may be on a memorandum basis, but where projects are numerous, it is best to establish a project ledger under the control of a 'Project in process' account. The responsibility for reporting variations from estimate must be delegated either to the supply department, to the costing activity of the location concerned, or to the financial accounting staff.

Any variance, or variances beyond the permitted tolerances, should be reported back to the sanctioning authority, either for approval or for a review of the implications on the remainder of the project.

The form of record used must be such as to enable management to know at any time the total value of projects approved during a period, the actual amounts spent against such sanctions, and any under-runs of expenditure, any excess costs still awaiting approval, and the extent to which the unexpended amounts of projects in process have been committed in firm contracts with outside suppliers.

The second aspect of control, namely, the comparison of actual with estimated cost savings (or revenue increments) will be complicated by two factors:

(1) any change in levels of expenditure that may have occurred since the justification was submitted; and
(2) any change in the levels of activity assumed for either the old or the new facility.

No general guidance can be given for the solution of these problems, but it is obviously desirable that management should be given reliable information as to the actual result of each project.

Non-capital Projects

In addition to projects for capital expenditure, one may require to arrange similar routines for the justification approval and control of projects for experimental work, large-scale maintenance or renewal of plant and equipment, factory reorganization, or for exceptional purchases of consumable stores necessitated by market price trends or shortage of supplies.

Summary

It will be seen that for project expenditure to be brought under adequate control, the main requirement is for the initial estimate and approval to be brought within a recognized pattern of submission and sanctioning; and that in giving an operative form to these requirements, the accountant has overcome the greatest part of his difficulties in connection with this type of transaction.

Estate Duty: Valuation of Shares in Private Companies – II

by IAN M. BOWIE, M.A., C.A.

Section 55 Tests

TO come within the provisions of Section 55 the company concerned must first of all have been under the control of five or less persons within a period of five years ending on the death of the deceased. The further tests which have to be applied to ascertain whether or not a company falls within the relevant provisions are extremely complicated but broadly speaking they can be summarized as follows. A company comes within the provisions of Section 55 if either:

(1) at any time during the period of five years ending with his death the deceased had voting control of the company; or
(2) during a continuous period of two years within the five years the deceased had powers equivalent to control of the company; or
(3) during a like period of two years the deceased enjoyed one-half of the dividends declared and debenture interest accrued due in the company; or
(4) at any time during the five years ending with his

The concluding part of a paper presented at the Ninth National Taxation Conference at Folkestone on October 12th.

death not being a time when some other person had control of the company, the deceased had a beneficial interest in one-half or more of the aggregate nominal amount of the company's shares and debentures.

I must emphasize that the above is a very broad definition of the various tests which have to be applied to see whether the company comes within the scope of the provisions and it is really necessary to examine the provisions carefully for the detailed definitions of 'control', 'powers equivalent to control', and 'beneficial' interest. In regard to the question of control, however, it is interesting to note that in the case *Barclays Bank Ltd (Shipside's Executor) v. C.I.R.*[1] the Court of Appeal decided on July 21st, 1959, reversing a previous decision of the High Court, that shares held by the deceased as trustee were to be taken into account in deciding whether the deceased had control in view of the fact that the deceased was the first named trustee, that under the articles of association of the company concerned the voting rights attached to these shares vested in him and that he himself was the settlor of the trust in question.

It is important to note that as a result of the new provisions of the 1954 Finance Act, the last three tests, namely, powers equivalent to control, the dividend and interest test and the capital test, apply only to cases where, broadly speaking:

(i) on the death of the deceased the shares and debentures concerned pass to a person who is in control of the company or having powers equivalent to control thereof either alone or in conjunction with his relatives; or

(ii) immediately before and after the death the shares and debentures are held by trustees who hold voting control; or

(iii) in the case of shares being valued as a gift *inter vivos* the donee (either alone or in conjunction with his relatives) had control of the company at any time since the gift or immediately after the death.

Reference to the Act itself is again necessary as regards the precise details of the above three categories.

If the securities concerned fail to escape passing any one of the tests referred to previously, they come within the provisions with the important exception that they do not apply to any class of share or debenture as to which permission to deal has been granted on a recognized stock exchange in the United Kingdom and dealings have been recorded during the year ended with the death of the deceased.

Section 30 of the Finance Act, 1954, contains a further important provision to the effect that where shares or debentures falling to be valued under Section 55 are sold within three years of death, the sale being made at arm's length and not to a relative, and the price so obtained, with any adjustment needed to take into account any difference in circumstances at the date of sale and the date of death, was less than the value ascertained under Section 55 the sale price is substituted for the Section 55 valuation. One can imagine considerable arguments arising with the Estate Duty Office as to the adjustment which should be made for the difference in the circumstances and I am glad to say that this point is outside the scope of this paper.

Basis of Valuation

Having dealt with the types of shares to which Section 55 applies, I now turn to the basis of valuation. Section 55 (1) provides that

> 'the principal value of the shares or debentures, in lieu of being estimated in accordance with the provisions of subsection (5) of Section 7 of the Finance Act, 1894, shall be estimated by reference to the net value of the assets of the company.'

The net value of the assets has to be ascertained as follows:

(1) one has to aggregate the value of the individual assets of the company, including goodwill if any, the value of each of which has to be estimated on the basis laid down in Section 7 (5), i.e. open market value at the date of death; and

(2) from this aggregate figure of assets there has to be deducted the aggregate of the liabilities of the company including the amount of any contingent liabilities which the Commissioners consider reasonable. Excluded liabilities comprise any debentures of the company and any liabilities incurred otherwise than for the purposes of the company wholly and exclusively; and

(3) the resultant figure of net assets is then apportioned between debentures and the various classes of share capital having regard to the rights attaching thereto.

At first sight the application of the formula to which I have referred may seem comparatively simple. One lists the various assets as taken from the balance sheet of the company made up at the date of death, values them under Section 7 (5), and then one lists the various liabilities which can be deducted – i.e. those which actually exist at the date of death – and arrives at a figure of the net assets of the company. If a balance sheet at the date of death is not available the latest balance sheet would be used, making due allowance for the net retainable profits or the losses between the date of the balance sheet and the date of death.

Unfortunately the exercise does not stop here since the following important points have to be considered:

(1) how are the assets to be valued?

(2) what about goodwill and how should it be valued; and

(3) what about 'negative' goodwill?

In the first place it is important to note that the Courts have never had to express an opinion on these points nor for that matter on the general question of

[1] [1959] T.R. 267.

the basis of valuation under Section 55. All these three points are inter-connected and I think that the first thing to remember is that under the statute, the assets have to be valued individually as assets of the business, at the best price obtainable in the hypothetical open market. For this purpose they may all be valued either on a going concern basis or on a break-up basis and it is advisable to prepare detailed computations on both bases.

'Going Concern' Basis

Dealing first with the going concern basis, when valuing the individual assets allowance should, if appropriate, be made for negative goodwill, i.e. for the fact that, if it be the case, the earnings of the business are low and do not show an adequate return on the assets employed in the business. I think this was the point Mr Maudling was endeavouring to make in his statement in the House of Commons on June 23rd, 1953, which, however, led certain people to think that an overall deduction could be made for negative goodwill from the total value of the net assets. This latter view is strongly resisted by the Estate Duty Office and cannot, I think, be justified by an examination of the statutes although, as referred to above, the matter has not yet been tested in the Courts.

It is not easy, however, in practice to quantify negative goodwill in relation to individual assets and therefore it is the normal practice to proceed along the following lines. In the first place one values the individual assets on a going concern basis, deducts the permitted liabilities, and compares the answer with the value of the business as a whole arrived at realistically on a going concern basis. If the value of the business is greater than the value of the net assets computed individually, the excess represents goodwill which, under the 1940 Act, has to be included as one of the assets which have to be valued. If, on the other hand, the going concern value of the business is less than the net asset valuation, then this answer throws doubt on whether proper values have been included for the individual assets, and particularly for the fixed assets and stock-in-trade. Moreover it seems to me that one can reasonably assume that it would be difficult, if not impossible, to find a buyer on the open market who would acquire the assets at these individual going concern values because taken collectively insufficient allowance has been made for negative goodwill.

The problem is not an easy one to solve, but one usually finds that the Estate Duty Office will in the end accept a going concern valuation of the net assets at a figure approximating to the going concern value of the business, it being assumed without making any precise calculations that the aggregate of the deductions for negative goodwill which require to be made against the individual assets approximates to the overall figure deducted in arriving at the value of the business.

'Break-up' Basis

Having ascertained the value of the net assets on a going concern basis it is then advisable to prepare a valuation on a break-up basis, for which purpose one has to assume that the business ceased trading at the date of death. It naturally follows that for many assets the balance sheet values are inappropriate. For fixed assets one would obtain a valuation from professional valuers making sure that they adopted a proper basis. For example, factory buildings and plant would be valued assuming they were being sold in the open market not as assets of a going concern but as assets belonging to a business which had ceased trading. Stock and work in progress would be similarly valued and in this case substantial deductions from book values would normally arise and particularly in the case of work in progress and finished goods. One would have in mind the sums likely to be received by a liquidator had he been appointed at the date of death. Even in the case of debtors a discount is necessary and one may have to value them at the amount one would sell the debts to a debt collector. No problems should arise as regards investments for which market values would be adopted nor as regards cash where the balance sheet figure would be used. As regards liabilities in addition to the normal trading liabilities one would deduct any further liabilities which would have arisen by reason of the cessation of the business, including such terminal items as compensation for loss of office and damages for breach of contract.

It is now necessary to compare the two valuations of the net assets, namely, the going concern valuation and the break-up valuation. It is important to note that the Estate Duty Office will never accept a valuation below the aggregate break-up value of the assets less the permitted liabilities, even if the going concern valuation is less. The reason for this is that in such circumstances it is assumed that the buyer in the hypothetical open market would be prepared to accept break-up values. If, on the other hand, the going concern valuation of the net assets is greater than the break-up value the Estate Duty Office will endeavour to substantiate the going concern value which should, however, only be accepted provided it is made on a realistic basis, proper regard being had to the earning capacity of the assets.

Further Points

Further points to be noted in connection with Section 55 valuations are:

(1) The going concern value of the business which has to be computed for the reasons explained above should be arrived at along normal commercial lines, i.e. by applying a multiplier, varying from, say, 3 to 5, to the estimated maintainable profits of the business before taxation. The multiplier would vary depending on the nature of the business, the risks attaching thereto, the net asset and the liquid position of the company; in fact all those matters to which I have

referred earlier in dealing with the anticipated yield an investor would expect when buying a minority holding.

(2) Under Section 28, Finance Act, 1954, the proportion of the net value of the shares and debentures which relates to industrial hereditaments used in and occupied for the purpose of the business or to machinery and plant so used is charged with duty at the usual scale, with a reduction of 45 per cent. In arriving at the relevant proportion of the net assets for this purpose the liabilities should be deducted primarily against the assets that do not qualify for the lower rate of duty except that secured liabilities should be deducted primarily against the assets on which they are secured.

(3) The income tax liability for the year of assessment in which death occurs can under normal Revenue practice be deducted as a liability. Moreover under the Finance Act, 1954, income tax liabilities for later years of assessment can also be deducted in so far as they are based on profits earned prior to the date of death, but only to the extent that they exceed the profit actually earned during such years of assessment or part thereof.

In connection with taxation liabilities which can be deducted it is interesting to note the decision of the High Court on June 19th last in the case of *In re Sutherland's Estate*[1]. Briefly the deceased had control of a company which at the date of death owned five ships valued at some £1,150,000. In the year following the deceased's death, the ships were sold for approximately the value at death with the result that a balancing charge arose, the tax on which amounted to some £270,000. The executors contended that in computing the Section 55 valuation the £270,000 should be deducted either as an immature liability or a contingent liability. Mr Justice Danckwerts disallowed the appeal on the grounds that there was no immature liability as such a liability would have to be one which was binding on the company at the date of death and that as regards a contingent liability, he was bound by the decision of the Court of Appeal in the case of *In re Duffy*.[2]

Where Assets Have Been Transferred to a Company

Lastly, I have been asked to refer to those sections of the 1940 Act which deal with cases where the de-

(1) the transfer of property can be made at any time;

(2) the subscribing for shares in a company are deemed to be a transfer, even the initial subscription of one share when the company was incorporated;

(3) the control by five or fewer persons can be at any time between the date of the transfer and the date of death;

(4) the benefits include not only dividends but also loans and the enjoyment of property and in certain cases where the deceased was able to control dividends, undistributed profits.

If any one of the above factors apply, then Section 46 provides that a proportion of the company's assets is deemed to pass on death. Subject to certain overriding limits and reliefs the proportion may be expressed as the following fraction:

$$\frac{\text{Benefits accruing to the deceased during the last five accounting years prior to death}}{\text{Net income of the company during the last five accounting years prior to death}} \times \text{Net assets of company at date of death}$$

The manner in which the benefits to the deceased, the income and the net assets of the company have to be computed is so involved that it is not even possible to summarize them, and any professional adviser being unlucky enough to have to make such a valuation should, I suggest, refer carefully to the relevant provisions of the Act. I am glad to say that these complicated provisions, which were inserted to prevent the avoidance of estate duty, are very rarely used and of course they would only be invoked by the Inland Revenue if the value of the interest in the company passing on death computed on this basis appeared to be in excess of the value thereof computed on the more normal basis. Perhaps I should also mention that the 1940 Act contains provisions to prevent duplication of duty and also that, if the duty is not paid by the executors, the Revenue have power to collect it from the company.

Conclusion

I am sure that many of you who have had to settle valuations with the Estate Duty Office will agree with me when I say that the practical side of the work can be extremely interesting and rewarding. In the final analysis it is a question of two experts endeavouring, sometimes after long negotiation, to reach agreement on values, each using, to the best of his ability, his

The Accounting World

UNITED STATES

Depreciation Accrual and Replacement

DR WM. A. PATON, C.P.A., one of the foremost accountants in the United States and retired Professor of Accounting at the University of Michigan, while agreeing with the familiar contention that accruing depreciation does not in itself provide for the financing of replacements, refuses to admit that it has nothing to do with replacements.

To treat, in the same books, a 1940 United States dollar as if it were the same as a 1959 dollar is just as wrong, he contends, as it would be to treat a Canadian dollar, with its present premium over the United States dollar, as the precise equivalent of a current United States dollar. Dr Paton thinks that at present the impact of the change in the yardstick on accounting measurements is by far the most serious problem facing the accountant, and he says that 'the failure of the "profession" to take an intelligent and decisive stand on this matter is discreditable, to put it mildly'.

In the field of financial measurement, says Dr Paton, it is a commonplace to convert dollars of varying purchasing power to a common denominator in making crucial decisions, and only accountants, as a group, have persisted in treating all the building blocks used in making up financial reports as if they were of one size. It would be impossible, he says, to design a tax structure less suited to encouraging investment in high risk, long-lived plant facilities, than a system which treats as a break-even point a comparison of a 1940 dollar of plant capacity consumed with a 1959 dollar received from customers. He warns that, in at least a few cases, management is becoming impressed with the thought of the necessity for developing staffs of economic analysts to stand between them and their accountants and convert and interpret the raw, heterogeneous data of conventional accounting reports.

Suggesting positive methods for attacking the problem, Dr Paton would have corporate accounting staffs and the public accountants with whom they work join hands and prepare the special analyses and statements needed by management for budgeting and planning in current dollars. Accountants should immediately encourage the use of supplementary statements in terms of current dollars, in periodic reports. Dr Paton particularly urges the need for presentation of long-period comparative statements in common dollars, saying that 'public accountants are overlooking a bet in not adding this chore to their regular repertoire'. He considers important and deserving of further study the proposals of some leading accountants to Congressional committees in favour of reinvestment depreciation, by which, when an asset was replaced, the taxpayer would be allowed an additional deduction for the excess cost of replacement over the aggregate dollar deductions for depreciation to date. Any immediate loss of tax revenue would, he thinks, very soon be more than offset by the resulting increase in productive capacity.

Income Bonds

INCOME bonds, which have rarely appeared in the United States market since the corporate reorganizations of the early 1930s, are regaining popularity. Sheraton Corporation of America has sold $34 million worth since 1956 when, since security dealers were not interested in an initial proposal to offer $15 million 6½ per cent cumulative income debentures, a subsidiary, Sheraton Securities Corporation, was set up with its own sales staff, selling almost the whole offering in just over a year. The company then decided to offer $25 million 7½ per cent cumulative capital income debentures for sale during the first half of 1959, and sales of over $21 million were reported by the end of June.

Both these issues had sinking fund provisions and required unconditional payment of all interest by maturity. The president of the hotel chain is quoted as saying that the high interest rate takes the place of the more conventional conversion privileges which could be very costly for a growth company, and that many consider the income feature an advantage to the issuer, since the risk of foreclosure in a serious depression is reduced. Also to the lender a temporary interruption of interest payments, which are cumulative, might be far less costly than liquidation at the bottom of a depression.

SOUTH AFRICA

Gold for Non-residents

DURING the debate on the Budget earlier this year, Dr Donges – the Minister of Finance – announced that the South African Reserve Bank would in future be authorized to sell gold to buyers offering a higher price than that ruling in the London bullion market, through which South Africa had previously sold its total gold production. Buyers must, of course, be non-residents of the sterling area, offer acceptable currencies (dollars or transferable sterling, and be prepared to take standard gold bars of approximately 400 ounces each, in minimum quantities to the value of £312,000. Since this permission was granted, the Reserve Bank has sold 24·5 tons of gold valued at nearly £9 million in this way, mainly to Switzerland. However, as the

Union's current production is almost £20 million of gold per month these sales have accounted for a very small part of the total quantity available.

In order to meet the needs of the small gold buyers on the Continent, Samuel Montagu & Co – the London bullion merchants – arranged in May of this year to issue transferable gold certificates in conjunction with the Bank of Nova Scotia, Toronto. Certificates can be purchased for either London or Toronto delivery, and are negotiable and interchangeable on payment of the difference in the price of gold between the two centres. To obtain a share of the free market demand for gold in small quantities, the Transvaal and Orange Free State Chamber of Mines announced in July that it had obtained permission from the Minister of Finance to dispose of gold in any form other than the 400-ounce bars being sold by the Reserve Bank. In October the Chamber commenced the sale of gold kilogram bars in minimum quantities of 9,700 ounces which, at 250*s* an ounce, cost £121,250. This announcement was soon followed by a statement by Union Acceptances Ltd (the merchant banking subsidiary of the Anglo-American Group) that they had made arrangements to issue gold certificates for delivery of the metal either in Johannesburg or in three other international centres in partnership with Samuel Montagu & Co, of London, the Bank of Nova Scotia, of Toronto, and the Deutsche Bank, of Franfürt.

To handle the new sales, Union Acceptances Ltd, with Samuel Montagu & Co and Mocatta & Goldsmid of London, have now registered a new company called Bullion Merchants of South Africa Ltd. The directors are: Mr S. Spiro, managing director of Union Acceptances; Mr P. J. L. Crokaert, a director of the Diamond Corporation; Mr P. R. Jeanty, of Samuel Montagu; Mr E. E. Mocatta, of Mocatta & Goldsmid; and Mr M. W. Rush, a director of the Anglo-American Group. The new company has been appointed an authorized dealer in gold by the South African Reserve Bank and will deal in gold in the different bar forms and in the interchangeable gold certificates issued from the United Kingdom, Canada, Germany and South Africa.

The developments will no doubt assist still further the hoarding of gold which, according to the November issue of *Pick's World Currency Report*, is in the region of $13·2 billion or £4,600 million. The wider availability of gold to the private buyer should also enable an active market to be established although the restriction to certain acceptable currencies will prevent a perfect free market from evolving.

FRANCE

Valuing Finished Goods

EXAMINATION of the annual accounts of companies, whether at the conclusion of an audit or in the course of a special investigation, frequently gives rise to the observation that insufficient consideration is given to the valuation of stocks of finished goods and work in progress. A study reproduced in a recent issue of the *Bulletin de la Sociétè de Comptabilitè de France* suggests that attention can most fruitfully be directed towards an analysis of the cost structure of stocks.

The preparation of accounts always involves a careful analysis of revenue and expenditure, extending sometimes to the amount expended on the consumption of water, or the total of tips given to messenger boys during the year. But the stock is shown as a total without any particulars about its components, even though in some cases the opening or closing stock may be the largest figure in the profit and loss account. Even where the method of valuation is stated, it throws no light upon the amounts of different types of costs included in the global figure.

The finished goods and work in progress on hand at any time are composed of materials, labour and expense, and it is just as important to separate these in the accounts for the information of the reader as it is to analyse any other group of costs. The argument is pursued by means of two illustrations, one drawn from the accounts of a small business and the other, in less detail, based upon a large manufacturing concern, showing how a careful analysis of stocks of finished goods and work in progress can throw light upon operating results as shown in the profit and loss account. In the absence of this information, many variations in performances remain permanently concealed, even from management.

GERMANY

Budgeting for Wholesalers

AN investigation carried out by the efficiency department of a wholesale trade association in Cologne, Germany, has led to the conclusion that budgeting and planning can make an immense difference to the operating results of wholesale firms, reports *Die Wirtschaftsprüfung* (Stuttgart) for September 1st.

One of the key ratios for interpreting the performances of wholesalers is the stock turnover figure. Whether this is calculated according to the less exact method:

$$\text{Stock turnover} = \frac{\text{Sales at cost}}{\text{Average stock on hand}}$$

or the superior method:

$$\text{Stock turnover} = \frac{\text{Sales at selling prices}}{\text{Average stock on hand}}$$

is indifferent for period and business comparisons, providing that consistency is shown by applying the same method throughout the period and for all firms.

Low stock turnover means long periods in stock, danger of stock becoming obsolete, storage costs, tied-up capital, loss of interest and cash discounts. In respect of the latter, it was found that the average net profit of one branch of the wholesale trade was

1·3 per cent of purchases, and that a cash discount of 2 per cent of purchases was taken in order to achieve this result. If the discount had not been taken, there would have been a net loss equal to ·7 per cent of purchases.

Improved stock turnover can result from either increased sales without increased stocks, or decreased stocks without decreased sales. In the wholesale trade, the usual approach is to intensify selling effort, perhaps accompanied by price reductions, in order to liquidate stocks. But even a varied wholesale stock, which may comprise 5,000–50,000 different items when sizes and colours are taken into account, can be reduced with proper purchase planning.

A purchase budget must be based on a sales budget, and the calculation of purchases for the period's budget proceeds as follows:

	£
Probable sales for period (estimated)	1,000
Less Mark-up (19 per cent of selling price, average)	190
Requirement	810
Less Stock at beginning of period	260
	550
Plus Planned stock at end of period ..	230
Purchase budget	£780

Education for the Professions

ADDRESS BY SIR ARTHUR FFORDE

at London Chartered Accountants' Luncheon

As briefly reported in last week's issue, Sir Arthur fforde, M.A., Chairman of the British Broadcasting Corporation, was the guest speaker at a luncheon of the London and District Society of Chartered Accountants held at the Connaught Rooms on November 16th. After being introduced to members by Mr J. D. Russell, M.A., F.C.A., Chairman of the Society, Sir Arthur delivered the following address.

WHEN I accepted the chairman's invitation to address this august gathering on the subject of 'Education for the professions', I did so for a very simple reason: 'Always, where possible, *seem* to do what your client seems to want'. It is an interesting kind of procedure. You restate his wishes in terms which enable you to talk about what you happen to want to talk about, and after that there is nothing left for you to do except to persuade your client that all your ideas were in fact his, and then to send in your bill. (*Laughter.*) In defining in this way what is meant by 'education for the professions', I start with a limiting clause. By 'professions' I mean, in the main, law and accountancy and their kindred profession of the secretariat; I do not mean medicine. And I do not mean engineering, about which I know very little. I therefore confine my remarks to law and accountancy.

Patterns of Thought

By 'education' I do not mean vocational training, which is a process – very necessary in itself – of the installation or assimilation of a technical vocabulary and detailed knowledge about the particular art with which one is concerned – the establishment in the brain of a series of specialized patterns of thought, each of which automatically and swiftly evokes the next, and has its appropriate label, which enables, for example, accountants well up in technical terms to conduct with each other, in the presence of their clients, a perfectly connected and sensible argument as to the rights and wrongs of some particular item in a profit and loss account, without anybody else having the slightest idea of what they are saying to each other.

In much the same way a doctor or a pharmacist has to learn to write and read prescriptions which are absolutely illegible to their patients, which is very convenient, because it would never do for a doctor to tell his patient that he is suffering from something with a long Greco-Latin name like *subtercranial apolopsiditis*, which very likely only really means he has got a pain in the neck. (*Laughter.*) I do not mean that kind of vocational training at all, necessary though it is. I remember a tutor of mine explaining that to me. 'I do not want to get into a groove,' I said. But he replied: 'You cannot keep out of a groove unless you have first got into one.' I think that is absolutely sound. One has to master one's technical knowledge in order not to be tied down by it.

A further category which I wish to exclude is the process of testing the knowledge of an individual. One of the great dangers of the educational system in England today is that the system is being transformed into a kind of grading machine. There are very few children or young men in the country who are not constantly exposed to this question of grading. From the age of ten plus onward a vast amount of the great professional technical skill in the educational profession is really devoted to one single object, to ensure that a child exposed to the process of training comes out at least one degree higher than he has any right to achieve, simply by reason of the extraordinary technical skill with which he has been taught how to answer in writing questions which are largely predict-

able. That seems to me not to be education at all.

Having excluded all these things, what is left? I ought perhaps to say that I have got a lot left for my remaining ten minutes. The pattern of these remarks, in legal terms, is to expand the recitals in order to compress the operative clauses. I think that a sound method. It can be exemplified by the child's account of the story of Elisha and the bears. 'Go up, thou bald head.' 'If you call me bald head again, I shall call a bear and it will eat you.' 'So they did; so he did; so it did.' (*Laughter.*)

One of the Objects

What I have got left to say stems from one of the analects of Confucius as translated by Sir Arthur Waley. 'The Master said, A gentleman is not an implement.' Gentlemen, the professions are not meant to be machine tools. True it is that a machine tool – and among them I would include computers – can be devised in such a way as to solve with precision, economy and high speed, a very wide range of what I would call predetermined questions. It is a very useful tool but it is not, within that meaning of the word, a gentleman: and professions are or should be, in that sense at least, gentlemen.

The sort of demands that impose themselves on the solicitor or the accountant, the things for which education, as I understand the term, is really appropriate, are not automatic. Education should develop the capacity to deal, not in a predetermined way with predicted questions, but rightly and persuasively with the unforeseen. I say 'unforeseen' because in law, and, I suggest, also in accountancy, you never quite get a repetition of any particular case. Very frequently it looks as if it was the same, but in point of fact it always has some little something which the other did not have, and it is the capacity to recognize that small but possible critical difference that makes or mars the advice which one gives to a client or a customer. Therefore the capacity to identify the unforeseen is one of the objects of true education. I used the word 'persuasively' because I think that advice, however good, is only valuable if it is possible to convince the client that it is good, more especially if the advice itself is unwelcome, as from time to time it must be. The story of Micaiah, the son of Imlah, and Ramoth Gilead, is a sound example.

Then, very important, is the capacity to discern rightly. It isn't a question of technical training; it is the capacity to disregard the non-essential; it is the analytical aspect of accountancy and of law, and is a function specific, tangible and indispensable. I remember years back watching Lord Plender reading a balance sheet. I got the impression that behind his rather strong glasses his eyes were tight shut, and that he relied exclusively on a sense of smell. (*Laughter.*) This, of course, was not the case; it was, more simply, second sight. If you analyse what I mean you will realize that it was a developed capacity to disregard the unessential.

I think I have now made my three essential points in accordance with what would be, to my way of thinking, a suitable definition of the objects of education for the professions. Now I want to say, because I believe it, that this is not a kind of education which can be applied to just any sort of pupil. It assumes that the person whom you are trying to educate has got certain essential data already built into him – reading, writing, arithmetic, a sense of purpose and a reasonable level of intelligence. If you have got that data you can then go on to the essential things. He should be familiar with a wide range of interests and have some knowledge of the arts or sciences, or better, of both. He should have an awareness of the current states of humanity, not necessarily purely economic, though including economics, but ranging wider to areas which are likely to be affective, for the future, in industry and politics.

If you get someone like that, then his education depends largely on you: and you have continually the interest, the duty and the reward of being prepared to spend some of your own time in preparing this kind of person not only to see the true character of the profession in which his interest is primarily centred, but also to see that profession in relation to the affairs of the country. This I sincerely believe to be true of both solicitors and accountants. The special knowledge and skills and judgment which these two professions can bring to the aid of people who are concerned in the affairs of the country really matter, and they matter in a particular way.

Sense of Membership

First of all they matter in the way in which the young man shows his sense of membership, his sense of belonging. It is important that he should be aware that in his profession there is something which it would be criminal to let down. Secondly, the professions have their relationship with the community. Not only does that refer to the everyday practice of them, but also it implies that these special skills, when put to the service of the community in all sorts of indirect ways, as well as in the ordinary course of professional work, for example, in the work of the churches, in local government, in welfare work, and in various kinds of private and personal help to other people.

There is one further point, the importance of leisure – the risk of being so wrapped up in business that one forgets to recognize the allowability of leisure. The allowability of leisure and its freedom is an essential part of the education of younger men by their elders and betters.

For it takes time, and freedom of mind, to see what one is really after. It took me a long time to discover what I believe to be an essential object of the education of a lawyer. You may not accept this, but it is true. An essential object is to teach him to avoid multiplicity of words, in order to reduce ambiguity. So, too, of accountancy: to reduces figures to the minimum that spotlights the bare essentials. That is what one has got to learn how to achieve.

Weekly Notes

Towards a Monetary Standard

'IF Great Britain is to hold its position in the world, it must, in my opinion – like the rest of Europe – be an extrovert; and that applies both to its commercial and its financial arrangements.' To this end, declared Dr Per Jacobsson, executive director of the International Monetary Fund, in the course of the 1959 Stamp Memorial Lecture on Thursday of last week, full convertibility of sterling must soon be adopted. Quite recently, discriminatory controls on dollar imports as well as restrictions on tourist expenditure have been abandoned by the United Kingdom, and there is already complete freedom of capital movements within the sterling area. With this present degree of convertibility and the absence of controls within the sterling area, Dr Jacobsson considers it will become increasingly difficult to enforce controls on one type of sterling only, i.e. resident capital. He is therefore of the opinion that sterling will not long 'remain three-fourths free and one-fourth controlled'. Furthermore, he contends that the dangers of a 'substantial flight of capital can easily be overrated'.

Unlike the Radcliffe Committee, Dr Jacobsson is a firm believer in monetary discipline. He stressed the dangers of Governments relying unduly upon credit expansion to mitigate a business recession; in such conditions cost and price adjustments are necessary and monetary policy should not be employed to offset them. In support of this thesis the experience of the United States is quoted. During the past eighteen months, that country has failed to reduce its price and cost structure; it has also incurred a substantial deficit on the Federal Budget. The result has been an outflow of gold and increased external liabilities of some $5 billion. The United States, observed Dr Jacobsson, can afford such losses; but how many other countries could? It is the function of the central bank to ensure that the volume of money and credit is increased in line with the growth of production, while interest rates should reflect the needs of the economy rather than artificial credit conditions created by central bank manipulation. Dr Jacobsson does not feel that these objectives can be assured unless the central bank is free from political pressure.

This lecture, 'Towards a modern monetary standard', can be recommended as a contrast to some of the views of the Radcliffe Committee. Copies are available from The Athlone Press (University of London), 2 Gower Street, London, WC1, price 3*s* 6*d* per copy.

P.A.Y.E. for Ireland

THE Republic of Ireland is to introduce a system of pay-as-you-earn on October 5th next. Details of the scheme, which follows the British model but is modified to suit Irish conditions, are contained in a White Paper (Pr. 5276) published recently and obtainable from the Stationery Office, Dublin (price 2*s*). Following the receipt of the first report of the Commission on Income Taxation, the Minister for Finance announced on April 3rd last that the Government had decided to introduce a scheme of deduction of income tax from remuneration which would spread the incidence of the tax more evenly over the year. Following discussions with representatives of employers and employees, a scheme has now been devised. It is to be deferred until October in order to avoid charging more than one year's tax in 1960–61. Taxpayers assessed under Schedule E will have a half-year's instalment for 1959–60 to pay on July 1st, 1960. Accordingly, they will begin to pay on the new system in the following October, and will pay another half-year's tax in 1960–61.

To facilitate the new scheme the allowances will be increased, and the present reduced rates of 2*s* 9*d* on the first £100 of taxable income and 5*s* 6*d* on the next £100 will be abolished. The changes will produce a uniform effective rate of 5*s* 3*d* in the £, applying to all earnings except those over £1,800. The exemption limit for a bachelor or spinster will go up from £240 to £312, with comparable increases for others.

Another View on Professional Education

IN a lecture on 'Modern technological and commercial education', given to the Royal Society of Arts on Monday, Dr A. J. McIntosh, B.COM., PH.D., Director of the City of London College, has much to say on the contribution which technical and commercial schools could make towards ensuring that the necessary high levels of skill, knowledge and managerial ability are attained in British industry and commerce. Full advantage of the facilities offered by these institutions have not been taken, he thinks, because of two modern developments in commercial education

> '. . . firstly, the importance attached to examinations and certificates, rather than to the courses of instruction upon which they were based, and secondly, the proliferation of associations calling themselves professional institutes or professional associations whose prime function in many instances has become the conduct of examinations and the granting of certificates and the right to place letters after one's name'.

Dr McIntosh says that these two related tendencies hamper the true ends of commercial education and he ascribes the rise of such associations partly to the aspirations of those who practise 'as a calling some

specialized technique associated with commerce' to acquire professional status. He notes that:

> 'From the incorporation by Royal Charter in 1880 of the Institute of Chartered Accountants, the rise of such professional associations has been very marked',

and goes on to take accountancy as an extreme example of an activity where professional bodies, each with their separate constitutions, standards and examinations, have multiplied in comparatively recent times. He lists these and notes that the predominant method used by students in preparing for their examinations is correspondence courses.

Dr McIntosh considers that commercial education should be broadened in character and refers in some detail to the recommendations of the McMeeking Committee, set up in 1957 to consider this possibility. Many of these are based on the principle that the best form of education for the middle and higher ranks of commerce is a combination of theoretical study and practical training. They include the suggestions that senior executives should be encouraged to take practical college courses and to bring their business problems for discussion with college experts or at meetings of study groups.

In quoting the accountancy profession for his purpose, Dr McIntosh has not got his facts exactly right. His list of the professional associations omits The Institute of Chartered Accountants of Scotland, the senior body not only of the United Kingdom, but of the world, founded in Edinburgh in 1854, a date now recognized as the start of the profession in its present organized phase. The Scottish Institute, incidentally, provides oral tutorial classes for its students – the lecturers are recruited from members of the Institute – of a quality which could hardly be bettered. Nor does he mention The Institute of Chartered Accountants in Ireland, which receives the full blessing of Section 161 of the 1948 Companies Act, or The Institute of Municipal Treasurers and Accountants, a much more influential body than some he does name.

These and other points apart, Dr McIntosh appears to us to fail to grasp three essential facts about the profession. The first is that it was founded not as an attempt to raise the social status of its members but because the expansion of business in the middle of the last century made it essential for accountants and auditors to formulate codes of procedure and ethics. The second is that, to put it bluntly, there is a wide distinction between the standing of the major accountancy bodies, which insist on the potential entrant receiving a sound practical training as well as having to pass two exacting professional examinations, and that of the minor bodies where a qualification of a kind may be had for much less expenditure of time and study. Thirdly, the three Institutes of Chartered Accountants hold the view, with some considerable justification, that the spell spent by each clerk in a practising accountant's office is a vital part of his training and is co-ordinated directly with the subject-matter of his examinations. It is difficult to see how any general background commercial education provided by a technical college, however excellent these institutions may be, could ever prove to be an adequate substitute.

Private Members' Bills

As noted in last week's issue, a Private Member's Bill to protect small investors is to come up for second reading on March 8th. Two further Bills, which have been presented, seek (*a*) to give effect to the recommendations in the Law Reform Committee's eighth report that in the making of contracts corporate bodies that are not companies within the meaning of the Companies Act, 1948 shall in fact be treated as companies under the Act; and (*b*) to provide that death duty shall not be payable on the portion of an estate which passes on the death of one spouse to the other in those cases where the incomes of husband and wife have been treated as one for income tax purposes. The Corporate Bodies Contracts Bill was due for its second reading yesterday (November 27th) and the Death Duties Bill comes up for second reading on February 19th.

Outer Seven Plan Approved

The initialing at the end of last week of the convention establishing the European Free Trade Association marks the culmination of a series of exceptionally rapid and successful negotiations. The last-minute settlement of the problem of Norwegian exports of frozen fish fillets and the provisional agreements regarding textiles and agricultural products may give rise to difficulties in the future but the ultimate justification for the establishment of the free trade area lies in the extent to which it may assist an accommodation with the E.E.C. countries rather than in any benefits which this country may derive from the agreement itself. The cause of freer trade will not be advanced to any great extent if the only effect of the formation of the Common Market and the Free Trade Association is to establish two mutually exclusive blocs, each with relatively high tariffs, against the rest of the world. Attention has already been drawn outside Europe to the dangers of such regional groupings.

Nevertheless, given the failure of the original negotiations for a free trade area associated with the Common Market, a qualified welcome must be given to the present agreement between the Seven. Both the E.F.T.A. and E.E.C. countries aim at the reduction of tariff barriers and given favourable conditions as regards the climate of world trade as a whole, it should not be impossible to achieve some agreement between the two groups. In this connection considerable importance attaches to this week's meeting of the Foreign Ministers of the E.E.C. countries and the extent to which the proposed liaison committee

between the Common Market and other countries may be allowed to continue negotiations with the Seven. France is believed to be still opposed to any such negotiations though they would probably be supported by the Benelux countries.

Capital Allowances on Denationalized Vehicles

UNDER the terms of the Transport Act, 1953, the purchasers of transport units from the British Transport Commission, on denationalization, were entitled to apply for a special 'A' licence from the traffic licensing authority. The British Transport Commission and the Inland Revenue took the view that some part of the price paid for the transport unit should be apportioned to this right to have an 'A' licence. The effect of such apportionment would normally cut down the amount apportioned to the vehicles purchased with the unit and thus to depress the capital allowances on such vehicles.

An appeal against this ruling was brought before the Special Commissioners by Messrs R. Knott & Son, and the case was heard on November 16th and 17th. The Special Commissioners allowed the appeal, holding that the right to apply for a special 'A' licence was conferred by the statute on the purchaser, and did not form any part of the property acquired from the British Transport Commission. The question of apportioning some part of the total price to the licence did not therefore arise. The apportionment should be confined to the assets actually purchased.

It is understood that the Inland Revenue have formally expressed dissatisfaction with this decision, with a view to appealing to the High Court.

Credit Transfer by Instalments

THE Radcliffe Committee expressed the opinion that the banks, or failing them the Post Office, should examine the possibility of establishing in this country some method of credit transfer on the lines of the Continental giro systems, and a leading article in *The Accountant* of September 26th considered the ways in which this might be done. Now the clearing banks have announced that they propose very shortly, as an interim measure, to take steps to extend the existing traders' credit system; they are going to wait for the publication of the Radcliffe Committee evidence before going any further towards a complete credit transfer service.

Traders' credits have been operated since 1930, although, as was remarked in our earlier article, no bank has ever sought to publicize this service. The system is most generally seen in action in the payment of salaries. As is well enough known, the customer wishing to use it sends to his bank a list of the creditors he wishes to pay (in duplicate on forms provided by the bank), together with a credit slip for each creditor showing the name of the payer, the name of the creditor, his bank and branch and the amount. The customer also makes out one cheque for the total of all the payments; and the bank then passes them through to the various banks designated. The mechanism through which they go handles also standing order payments, 'mandated' dividends, and payments received over the counter for other banks and branches, including 'private' credits as well as building society and hire-purchase payments, to an estimated total of 150 million per annum, against a total annual drawing of 800 million cheques.

Now that extension of traders' credit is promised, it might perhaps be ungracious to wonder why it has had to wait so long; instead we may welcome this development with modified enthusiasm. Nor need we be unduly critical of the banks' caution in advancing towards more far-reaching change; the suggestion that they are dragging their feet is putting it too high. After Radcliffe it is fairly certain that there must be more to come, but the face of banking has already changed so much in the past two years that we can afford to wait a few months more for the next instalment of face-lifting.

Big News for Small Traders

A 48-PAGE report[1] on the growing use of work study in retailing was recently published by the British Productivity Council. After a brief history of the development of work study, the report goes on to deal with its particular application to retailing. The processes involved are described, following which there is an account of the making and contents of the B.P.C. film 'A Nation of Shopkeepers'. This film presents an actual example of the use of work study in an ironmonger's business and shows the changes adopted as a result of it. Further examples are then given of the use of work study in a wide range of businesses both large and small.

An interesting and instructive example concerns the improvements carried out by a small retailer as the result of his own investigations. These improvements, small and simple in themselves, led to a dramatic increase in sales and profits. In the main, the improvements were directed towards a reduction in waste and an elimination of needless effort. Sales rose in one year from a weekly average of £50 to £450.

As the booklet shows, while large stores may be able to make use of their own work study teams, small and medium-sized firms have been helped by conferences organized by the British Productivity Council, and particularly the case studies carried out under expert guidance as part of the practical side of such conferences. Other firms have benefited from case studies under the aegis of educational institutions which include management training in their syllabuses.

[1] *Big News for Small Traders.* Central Productivity Council, 4*s* post free.

Finance and Commerce

Not Exceptional

NOTE 5 on the accounts of The Gordon Hotels Ltd to December 31st, 1958, states:

'There are commitments for contracts placed for hotel furnishings, equipment and repairs and alterations amounting to approximately £260,000 for which no provision has been made in these accounts.'

The accounts provide this week's reprint and the note in question is a legal requirement. One can pick up a dozen balance sheets and find similar observance of the law.

To the non-technical reader of the accounts there may appear to be something exceptional in the statement that 'no provision has been made', and, in fact, at the annual meeting, the note was used to support controversy with the board. A shareholder regarded the statement almost in the category of a qualification by the auditors who, it was claimed, could do no more than to see that the matter was brought to shareholders' attention, leaving them to be their own bloodhounds. Something was wrong somewhere, was the general tone of the complaint.

Lord Keyes, the chairman, was able to state that the company, in effect, would not be short of money. In his review with the accounts and again at the meeting, he reported sales of hotel properties for considerations totalling nearly £400,000; and to a question from Mr S. R. Hogg, F.C.A., he replied that the company's finances were adequate. Mr Hogg, of course, would have had no misconceptions about the meaning or implications of Note 5.

Accounting Delays

MECHANIZATION of the purchasing and invoicing departments is one of the reasons for delay in presentation of the accounts of Sangers Ltd, the manufacturing chemists. The accounts to February 28th, 1959, were actually presented in early October.

A further handicap was the major purchase tax changes in this year's Budget which, stated Mr John G. Sanger, at the annual meeting, entailed the production of half a million new cards and seriously affected the accountancy department. Shareholders, however, had already been warned that the accounts would be delayed.

In the circumstances, the directors departed from their normal practice of declaring a first and second interim dividend only and declared a second interim at the same time intimating their final dividend recommendation for confirmation at the meeting.

This course seems likely to be adopted for the future; the directors are giving it 'very serious consideration'. In his review, Mr Sanger explains that in the days before the 1948 Companies Act, stock was taken on various dates between December 31st and March 31st. Now that it all has to be taken on the same day throughout the group, he says, 'it has become increasingly difficult to produce the final consolidated accounts in time for the announcement of the figures during the month of July'.

Meaning in Figures

A SHARP reminder of the importance of explaining what figures mean may be seen in the recent experience of The Victoria Wine Co Ltd which, previously controlled by Taylor Walker, has now, by the Taylor Walker-Ind Coope merger, become a

Consolidated Profit and Loss Account *year ended 31st December, 1958*

THE GORDON HOTELS LIMITED AND ITS SUBSIDIARIES

1957 £		£	£
375,320	Group Balance on Trading, before charging the items shown below		381,891
	Deduct: Expenditure on replacement of hotel furnishings and equipment, and		
156,241	property repairs and maintenance	216,091	
	Amortisation of leasehold properties and amounts written off expenditure		
16,600	ture on alterations	16,504	
1,970	Auditors' remuneration	2,117	
18,267	Directors' emoluments (See *Note 10*)	13,081	
33,071	Expenses of general meetings and other special expenses (See *Note 9*)	17,739	
226,149			265,532
149,171			116,359
	Deduct: Interest charges on:—		
16,257	6% Debentures of The Mayfair Hotel Company Limited ..	15,777	
8,156	Bank overdraft	3,762	
24,413			19,539
124,758	Group Profit before taxation (See *Note 4*) ..		96,820
	Deduct: Taxation based on the profit of the year (See *Note 7*):—		
20,200	Profits tax	6,500	
79,543	Income tax	47,041	
99,743			53,541
25,015	Group Profit after taxation		43,279
	Add: Provisions for taxation in prior years no longer required		26,100
			69,379
6,026	*Deduct:* Profits retained in subsidiary company's accounts		35,642
18,989			33,737
31,987	*Add:* Unappropriated profit brought forward from previous year ..		19,848
50,976	Balance available for appropriation by Holding Company		53,585
	Deduct: Appropriation for the year:—		
31,128	Preference dividend (*less tax*) in respect of the year to 31st December, 1934		32,144
19,848	Balance carried forward in Holding Company's Balance Sheet		21,441
12,778	Balance carried forward by a Subsidiary Company		48,420
£32,626	Total Unappropriated Profits in Consolidated Balance Sheet		£69,861

Notes on Consolidated Profit and Loss Account, see page [509].

Consolidated Balance Sheet *31st December, 1958*

THE GORDON HOTELS LIMITED AND ITS SUBSIDIARIES

1957 £	1957 £		£ Authorised	£ Issued and Paid up	£
		SHARE CAPITAL OF THE GORDON HOTELS LIMITED:			
		5½% Cumulative Preference Shares of £1 each (*See Note 1*)	984,300	984,300	
		Ordinary Shares of £1 each	1,195,700	666,200	
1,650,500			£2,180,000	1,650,500	
		Deduct: Deficiency account arising from revaluation of fixed assets:			
		Balance as at 31st December, 1957	526,256		
		Less: Profit on sale of leasehold property	14,574		
526,256				511,682	
1,124,244				1,138,818	
		REVENUE RESERVES:			
	27,566	General reserve	27,566		
	32,626	Unappropriated profits	69,861		
60,192				97,427	
1,184,436					1,236,245
85,800		**FUTURE INCOME TAX 1959/60**			50,500
		DEBENTURE STOCK:			
266,950		6% First Mortgage Debentures of The Mayfair Hotel Company Limited (*See Note 2*)			258,950
		CURRENT LIABILITIES:			
	93,091	Bank overdraft (*See Note 3*)		68,094	
	271,610	Trade creditors, accrued charges and provision (*See Note 8*)		273,155	
	92,877	Current taxation		121,224	
	—	Preference dividend (less tax)		16,580	
457,578					479,053
£1,994,764					£2,024,748

Notes on Consolidated Balance Sheet, see [below].

1957 £ At valuations or at cost	1957 £ Amortisation or amounts written off		£ At valuations or at cost	£ Amortisation or amounts written off	£
		FIXED ASSETS:			
		At Valuations (*See Notes 3 to 6*)			
303,000	—	(i) Freehold properties	303,000	—	303,000
932,200	*28,936*	(ii) Leasehold properties	908,700	41,685	867,015
456,337	—	(iii) Hotel furnishings and equipment	453,937	—	453,937
1,691,537	*28,936*		1,665,637	41,685	1,623,952
		At Cost			
—	—	Freehold property	65,927	—	65,927
21,322	*4,264*	Expenditure on alterations	21,322	6,396	14,926
—	—	Motor vehicles	3,223	2,213	1,010
1,712,859	*£33,200*		£1,756,109	£50,294	
33,200					
1,679,659					1,705,815
		CURRENT ASSETS:			
	131,740	Stocks		113,062	
	142,742	Trade and other debtors		143,405	
	40,623	Balances at bankers and cash in hand		62,466	
315,105					318,933
£1,994,764					£2,024,748

KEYES
E. J. DANZIGER } *Directors*

Notes on the Accounts

THE GORDON HOTELS LIMITED

Arrears of Dividend on 5½% Cumulative Preference Shares

1. The arrears of dividends (gross) on the Cumulative Preference Shares accumulated since 31st December, 1934, amounted at 31st December, 1958, to £1,299,276. Provision has been made in these accounts for one year's dividend (less tax) in respect of the year to 31st December, 1934.

Debenture Stock

2. **6% First Mortgage Debentures of The Mayfair Hotel Company Limited.** The Company covenanted to meet the interest on and redemption of these debentures of The Mayfair Hotel Company Limited; the amount outstanding at 31st December, 1958, was £258,950 and is repayable by instalments of £8,000 per annum over the period to 1st July, 1991, subject to the right to redeem all or part of the debentures outstanding on or after 31st December, 1971.

Fixed Assets

3. The title deeds of certain of the Company's properties are deposited with the Company's bankers; the Company has given an undertaking not to withdraw or otherwise dispose of them or to create any charge on them without the bank's consent while the Company is indebted to the bank.

4. Provision has not been made for any depreciation or diminution in value of freehold properties or of hotel furnishings and equipment, but expenditure incurred during the year in replacing hotel furnishings and equipment has been charged to revenue.

5. There are commitments for contracts placed for hotel furnishings, equipment and repairs and alterations amounting to approximately £260,000 for which no provision has been made in these accounts.

6. The company is disputing a claim for the grant of a lease of certain land adjoining one of its hotel properties and for damages. No provision has been made in these accounts in respect of that claim.

Taxation

7. No liability for United Kingdom taxation arises on undistributed profits of a subsidiary (£26,842 for the year: prior periods £21,578) which qualifies as an overseas trade corporation.

General

8. The group accounts include the following sterling equivalent of French francs:—

Current liabilities	£20,396
Current assets	£67,623

Conversion to sterling equivalents has been made on the basis of 1,375 French francs to the £.

9. Expenses of general meetings and other special expenses, totalling £17,739 (1957 £33,071), comprise professional charges and other costs and expenses in connection with annual and extraordinary general meetings, legal actions and claims against the Company and special business negotiations, and include a provision of £2,630 (1957 £13,500) for estimated costs and/or damages on unsettled actions and claims relating to periods prior to 31st December, 1958.

10. Directors' emoluments comprise:—

Fees as Directors	£4,118 (1957—£3,659)
Remuneration and other emoluments as Hotel Managers and Executives	£8,963 (1957—£6,608)
Special Remuneration to Mr. L. P. Jackson (former chairman) in respect of the period 1953 to 1957, as voted by the Board on the 4th December, 1957	Nil

Auditors' Report

THE GORDON HOTELS LIMITED

To the Members of The Gordon Hotels Limited

In our opinion the annexed accounts and notes give a true and fair view of the state of affairs as at 31st December, 1958, and the profit for the year ended on that date of the company and of the group consisting of the company and its subsidiaries.

We have obtained all the information and explanations which we considered necessary. In our opinion the company has kept proper books and the balance sheet of the company, which is in agreement with them and with the said information and explanations, gives with the group accounts and notes in the prescribed manner the information required by the Companies Act, 1948.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

3 FREDERICK'S PLACE,
OLD JEWRY,
LONDON, E.C.2.
18th September, 1959.

subsidiary of Ind Coope. Thus the change in the accounting date to August 29th 'which is made as required by law to conform with that of the parent company'.

Shareholders were given prior notification of the change in date and in due course a preliminary statement of profits was issued, showing a profit, after tax, of £21,829 for the period. As the comparative figure for the previous year at that point was £129,246, the market in the shares dropped 7*s* or so.

Whereupon a further statement from the Board emphasized that the £21,829 was from January 1st to August 29th, 1959, and therefore did not include the period covering Christmas, during which a very substantial part of the annual profit is earned. Trading profit for the period to August 29th, it was added, showed little change from that for the same period in the previous year.

The share market was probably too quick to jump to a conclusion, but, nevertheless, the experience emphasizes that figures must be explained. It also shows what the Christmas trade – surely the most powerful of seasonal influences – means in this, and other businesses.

Industrial Banking

IN its recent half-yearly report, the Industrial Bankers' Association emphasized the need for co-operation between finance houses and industrial banking companies towards setting up a credit reporting organization specifically designed to meet the needs of these institutions. The service, it is held, would initially be confined to car-buying transactions. Reports of losses arising from spurious business have been increasing lately.

There are now twenty-two members of the Association and members have to provide regular returns to show that the Association's rules on liquidity, reserves and borrowing are being observed. Some increase in borrowing limits is now being allowed in view of the growth of hire-purchase finance business in the past twelve months.

CITY NOTES

STOCK-MARKET business is now assuming more normal dimensions and character. The buying fever has subsided and there is an obvious inclination towards profit-taking and also towards far more selective buying. The result is a better balanced market in which price movements are narrow.

Meanwhile, reports from many sections of industry continue to be encouraging. This week, Sir Leonard Lord and Lord Tedder have reported confidently on the outlook for the motor industry. The British Motor Corporation, Sir Leonard reported, plans to spend £49 million in the next three years on development account.

From the engineering trades, company chairmen report a very definite improvement in order books with current year prospects described as 'most encouraging' in many instances.

Inevitably there are some black spots and the shipbuilding industry is one of them. There is little sign that the shipping industry's position is likely to improve to the extent that shipbuilding companies, now down to about twelve months' business in some instances, will enjoy any early increase in their order flow.

New industrial capital requirements continue to soak up a considerable amount of investment money and there is also a ready demand for new share offers. There are, however, indications that the Council of the Stock Exchange is already tightening up on its new issue vetting.

That is particularly the case in new property and 'shell' company offers. Searching inquiry is now being made into property values, earnings prospects and dividend forecasts. The interests and standing of company directors is also the subject of much closer investigation than has been the case in the recent past.

RATES AND PRICES

Closing prices, Wednesday, November 25th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) $2\frac{1}{4}$%

Bank Rate

Feb. 16, 1956	$5\frac{1}{2}$%	May 22, 1958	$5\frac{1}{2}$%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	$4\frac{1}{2}$%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Sept. 18	£3 9*s* 8·13*d*%	Oct. 23	£3 8*s* 6·74*d*%
Sept. 25	£3 9*s* 5·24*d*%	Oct. 30	£3 7*s* 8·53*d*%
Oct. 2	£3 9*s* 10·48*d*%	Nov. 7	£3 7*s* 4·62*d*%
Oct. 9	£3 8*s* 9*d*%	Nov. 14	£3 7*s* 9·55*d*%
Oct. 16	£3 8*s* 4·91*d*%	Nov. 21	£3 7*s* 11·96*d*%

Money Rates

Day to day	$2\frac{3}{8}$–$3\frac{1}{4}$%	*Bank Bills*	
7 days	3–$3\frac{1}{8}$%	2 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
Fine Trade Bills		3 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
3 months	$4\frac{1}{4}$–5%	4 months	$3\frac{1}{2}$–$3\frac{9}{16}$%
4 months	$4\frac{1}{4}$–5%	6 months	$3\frac{1}{2}$–$3\frac{5}{8}$%
6 months	$4\frac{1}{2}$–5%		

Foreign Exchanges

New York	$2{\cdot}80\frac{3}{16}$–$\frac{1}{4}$	Frankfurt	$11{\cdot}68\frac{7}{8}$–$\cdot69\frac{1}{8}$
Montreal	$2{\cdot}66\frac{5}{8}$–$\frac{3}{4}$	Milan	$1739\frac{1}{4}$–$\frac{3}{8}$
Amsterdam	$10{\cdot}58\frac{1}{8}$–$\frac{3}{8}$	Oslo	$20{\cdot}00\frac{1}{4}$–$\frac{1}{2}$
Brussels	$140{\cdot}20\frac{1}{4}$–$\frac{3}{4}$	Paris	$13{\cdot}74\frac{3}{8}$–$\frac{5}{8}$
Copenhagen	$19{\cdot}33$–$\frac{1}{4}$	Zürich	$12{\cdot}17$–$\frac{1}{8}$

Gilt-edged

Consols $2\frac{1}{2}$%	$51\frac{5}{16}$	Funding 4% 60–90	$94\frac{1}{8}$
Consols 4%	$77\frac{1}{8}$	Savings $2\frac{1}{2}$% 64–67	$85\frac{7}{8}$
War Loan $3\frac{1}{2}$%	$67\frac{5}{16}$	Savings 3% 55–65	$92\frac{9}{16}$
Conversion $3\frac{1}{2}$%	$67\frac{7}{16}$	Savings 3% 60–70	$84\frac{1}{2}$
Conversion $3\frac{1}{2}$% 1969	$90\frac{1}{4}$	Savings 3% 65–75	$78\frac{13}{16}$
Exchequer $5\frac{1}{2}$% 1966	$104\frac{7}{8}$	Treasury $2\frac{1}{2}$%	$49\frac{15}{16}$
Funding 3% 66–68	$87\frac{5}{16}$	Tr'ury $3\frac{1}{2}$% 77–80	$80\frac{5}{16}$
Funding 3% 59–69	$85\frac{7}{8}$	Treasury $3\frac{1}{2}$% 79–81	$80\frac{5}{8}$
Funding $3\frac{1}{2}$% 99–04	$74\frac{15}{16}$	Victory 4%	$96\frac{3}{8}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Institute's Membership Certificates

SIR, – The certificate of membership of one's professional body is a document which is prized, and which hangs framed, exhibited for all to see throughout one's professional life and even beyond it. Shame indeed, therefore, that a penalty of integration is the exchange of a dignified and personally subscribed document (the certificate of The Society of Incorporated Accountants) for a colourless and mass-produced sheet, the only merit of which, if merit it be, is its size.

It is readily appreciated that the issue of thousands of certificates must have presented a clerical problem of some magnitude, but the Institute cannot be said to have rushed to deliver their certificates to the members admitted under the scheme of integration, many of whom are still without this evidence after the lapse of nearly two years.

Perhaps when the administrative staff is a little less busy it might be possible against payment of a suitable fee to exchange the present certificates for something a little more impressive.

Yours faithfully,
IAN ENGEL.

London, EC2.

Ancient and Modern

SIR, – For well over forty years I have been a regular reader of *The Accountant*, which until fairly recently arrived without fail by the first post each Saturday morning. Nowadays it is becoming a rare event, with the result that I am deprived of the opportunity which the week-end conveniently provides for reading a journal which for so many years has given me interesting news and authoritative information on matters pertaining to my profession. Perhaps in this age of space annihilation and with the scientific paraphernalia at hand the time-lag in delivery of my weekly copy could be remedied.

Incidentally, I should like to see fuller reports of the various speeches at the district society dinners and other functions and events as was the practice before the war. Such reports often provide interesting, and frequently amusing, reading.

Yours faithfully,
B. BAKER, F.C.A.

Walsall.

[The weekly issues of *The Accountant* are dispatched no later than formerly; the fault must therefore lie with the postal authorities. No doubt the reason is the withdrawal last year of the second postal delivery on Saturdays, in consequence of which items such as newspapers and periodicals are left over until Monday. We sympathize with our reader – such is progress! On the question of district society dinner reports, we devote as much space as possible to those events to which we are invited to send a reporter. It is, of course, the case that speeches which may be highly entertaining to the audience do not always lend themselves to reporting. – Editor.]

Salaries in the Profession

SIR, – The recent correspondence on the low salaries paid in the profession emphasizes the low state into which we have sunk. We cannot pay our clerks the right wages because we cannot charge sufficiently high fees. We cannot charge those fees because the client will not pay them and if we tried would prefer to go elsewhere. In consequence the standards in the profession are falling. It is the exception rather than the rule to see accounts which are decently typed, do not contain elementary errors of accountancy and are in a form that would not make an examiner in simple book-keeping wince.

In many cases the hard facts of life have made us careless. The client has no use for us beyond that of settling income tax and has no incentive to provide us with worth-while information when we, or somebody else, can cook up some sort of an account from a suitcase full of old bills. The Inspector of Taxes has usually neither the time nor the inclination to study our accounts in any detail. Nobody really cares. In many cases the only reason that a client does not settle his own tax liability, which is a lot easier than most accountants would admit, is laziness or the wish to have a barrier between himself and the Inspector.

The only ways to improve matters are to form one society for the abolition of incomplete records and another for securing a life peerage for any accountant who shoots the client who says 'I pay everything through the bank'.

Yours faithfully,
ALEX HARRISON, A.A.C.C.A., A.C.C.S.

Bedworth.

Calendar Variances

SIR, – As the instigator of this correspondence I should like to comment on the replies of Messrs E. Seaman, K. W. Harding and J. B. Charles in recent issues.

In essence, Mr Seaman and Mr Charles confirm my own view that fixed overheads should be recovered in such a way that a calendar variance never arises and that, apart from other variances, the trading result should be proportionate to the volume of goods dispatched. Mr Charles's suggestion that management might be educated up to a calendar variance savours of the tail wagging the dog; accountants should be educated away from such a variance.

Mr Harding goes somewhat outside the problem in suggesting ten accounting periods, though this

decimal method has many attractions. Even when management requires accounting periods of varying length the problem of calendar variances can still be solved.

Yours faithfully,

Wolverhampton. F. S. WOODWARD.

Mechanization Begins at Home

SIR, – In the article by 'A Practising Chartered Accountant' in your issue of November 7th, he suggests using the machine that he has had developed to analyse columns in day-books and cash-books, etc. I suggest he could extend his commendable initiative still further and commence his analysis from the original voucher, using the 'audit strips' produced by the machine as the cash receipts and payments books, day-books, etc.

Yours faithfully,

'O. & M.'

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Roberts *v.* McGregor

In the High Court of Justice (Chancery Division)
October 30th, 1959
(Before Mr Justice WYNN-PARRY)

Income tax – Farming – Back duty inquiry – Betting transactions – Amount of deficiency due to betting wins – Income Tax Act, 1952, Section 52 (5).

The appellant farmed 237 acres, and audited accounts of his farming were prepared every year by a certified accountant, and were supplied to the Inspector of Taxes. It appeared that the appellant's capital had increased substantially since 1944, and the appellant claimed that a substantial part of the increase was the result of successful betting on horse-racing. The appellant furnished the Inspector with a statement of betting wins and losses from April 1st, 1943, to March 31st, 1954, and this statement showed a net gain of £24,000.

The Inspector, in the absence of any other explanation, took the view that the appellant had understated the profits of his farming business for some or all years subsequent to 1943–44, and assessments were made on the appellant for 1944–45 to 1954–55. Among the documents produced on the appellant's behalf at the appeal were record cards and statements of the appellant's betting wins and losses, and also letters from a number of people on the subject of his cash betting wins.

The appellant stated that he used to bet partly in cash and partly by credit, and that he was in the habit of taking between £100 and £500 to the race-course in cash. He could remember the name of only one horse upon which he had won any notable sum, and that sum was £3,000. He had runs of success, and once won £30,000 in a month. He won £4,000 in the course of two days. His largest bet on one horse was £800. The appellant's accountant stated that he had never seen a cash-book or other contemporary records of business transactions in respect of the farming; and he had prepared the accounts from documents such as the wages-book, bank sheets, invoices and receipts and from information given orally by the appellant. There was no separate bank account for the business, and betting wins and losses were paid into and out of the same account.

It was contended on behalf of the appellant that the assessments were excessive, as they exceeded the net profits shown in the accounts; and that as the appelland had adduced prima facie evidence in support of his contention that the capital gains were the result of betting wins, the onus of proof was on the respondent to disprove the contention. It was contended by the respondent that as the appellant had kept no proper business records, and as the farming profits shown in the accounts were unusually low having regard to the size of the farm, and for other reasons, the whole of the £24,000 should be treated as profits of the appellant's farming. The General Commissioners decided that the appellant had not completely discharged the onus of proof upon him; that the profits of his farming had been understated; and that the amount understated over the years under appeal was £10,000.

Held, the General Commissioners' decision was justified.

Grey *v.* C.I.R.

In the House of Lords – November 2nd, 1959
(Before Viscount SIMONDS, Lord REID, Lord RADCLIFFE, Lord COHEN, Lord KEITH OF AVONHOLM)

Stamp duty – Voluntary disposition – Declaration of trust – Transfer of shares to nominees – Oral direction to hold shares – Declaration by trustees – Whether ad valorem *duty payable – Statute of Frauds, 1677, Section 9 – Finance (1909-10) Act, 1910, Section 47 – Law of Property Act, 1922, Section 191 (2) – Law of Property (Amendment) Act, 1924, Sections 3, 12 (3) – Law of Property Act, 1925, Section 53.*

A shareholder in a company transferred 18,000 shares to the respondents as his nominees. A few days later at the offices of the company he orally directed the respondents to hold the shares thenceforth in six blocks upon the respective trusts of six settlements that he had made, some years before, in favour of his

grandchildren. Some weeks later the respondents executed six declarations in order to testify his giving of the direction.

The respondents conceded that the equitable interest in the 18,000 shares remained in the transferor until the time when he gave the oral direction, and that they were mere nominees for him till that day. They contended, however, that upon the giving of the direction the equitable interests in the six blocks of shares vested upon the trusts declared by the six settlements that had been executed some years before; that the trusts of the six blocks of shares were then completely declared; and that therefore no property passed by the respondent's declarations and the latter were not liable to be stamped *ad valorem.* The appellants contended that nothing passed by the oral declarations as they should have been in writing; and that the respondents' declarations should be stamped *ad valorem* as voluntary dispositions.

Held (affirming the judgment of the Court of Appeal), that the latter contention was correct.

Oughtred *v.* C.I.R.

In the House of Lords – November 4th, 1959

(Before Lord RADCLIFFE, Lord COHEN, Lord KEITH OF AVONHOLM, Lord DENNING and Lord JENKINS)

Stamp duty – Deed of transfer of shares – Interest in remainder – Exchanged orally for shares – Release of trustees – Whether deed of transfer to be stamped ad valorem – *Repayment of duty – Whether interest payable thereon – Stamp Act, 1891, Section 54 – Law of Property Act, 1957, Section 53 – Law Reform (Miscellaneous Provisions) Act, 1934, Sections 3 and 4.*

The appellant was the tenant for life of some settled shares, and her son was entitled absolutely in remainder. An oral agreement was made between the appellant and the son that the latter would exchange his interest in the settlement for certain shares owned by the appellant in a company, to the intent that the appellant's life interest in the settled shares should be enlarged into an absolute interest. A deed of release was executed between the appellant, her son and the trustees whereby the latter were released from the trust. The deed of transfer in question was then executed by the trustees, and it was not disputed that it operated to transfer the legal estate in the settled shares to the respondent.

The respondents contended that *ad valorem* stamp duty in an amount equal to the value of the son's interest in remainder, which he had orally agreed to sell to his mother, was payable on the deed of transfer. For the appellant it was contended that the deed should bear only a 10*s* stamp.

Held (affirming the judgment of the Court of Appeal) (Lord Radcliffe and Lord Cohen dissenting): that the transfer of the shares was the completion of the oral contract; that the deed of transfer was a conveyance or transfer on sale of property; and that the deed was liable to *ad valorem* duty.

Whitworth Park Coal Co Ltd *v.* C.I.R.
Brancepeth Coal Co Ltd *v.* C.I.R.
Ramshaw Coal Co Ltd *v.* C.I.R.

In the House of Lords – November 5th, 1959

(Before Viscount SIMONDS, Lord REID, Lord TUCKER, Lord RADCLIFFE, Lord KEITH OF AVONHOLM)

Surtax – Undistributed income of company – Colliery company – Payments by the Crown – Whether income of year of receipt – Sums wrongly deducted for tax – Whether receipts of taxpayer – Income Tax Act, 1918, Section 14 (3); Schedule D, Charging Rules 1 (b), (2); Case III, Rule 1 (a); Case VI; Miscellaneous Rule 1 – General Rules, 19, 21 – Finance Act, 1922, Section 21, Schedule 1, paragraph 6 – Finance Act, 1926, Section 35 – Finance Act, 1927, Section 39 – Finance Act, 1936, Section 20 – Finance Act, 1939, Section 14 – Coal Industry Nationalization Act, 1946, Sections 5, 19, 21, 22 – Coal Industry (No. 2) Act, 1949, Section 1 – Transport Act, 1947, Sections 10, 23 – Electricity Act, 1947, Sections 11, 28.

In each of these cases the company carried on the trade of coal-mining, and on January 1st, 1947, its trade vested in the National Coal Board under Section 1 of the Coal Industry Nationalization Act, 1946. The company received sums of money in the form of interim income under Section 22 of the Act, and Section 1 of the Coal Industry Act (No. 2) 1949, and income tax at the standard rate was deducted from these sums.

Directions were made under Section 21 of the Finance Act, 1922, and Section 14 of the Finance Act, 1939, for the years 1948–49, 1949–50 and 1950–51. The dispute in the case was whether the payments of interim income were annual payments under Case III of Schedule D and therefore includible in the computation of the company's actual income for the years of receipt, or whether they were assessable under Case VI and should be spread over the years or periods in respect of which they were paid. The Special Commissioners decided in favour of the latter view. In the Court of Appeal the further question was raised whether the sums deducted for tax should be treated as having already been received by the taxpayer, or should come into computation in future years when they were repaid by the Inland Revenue to the company, as, it was contended, they should be.

Held (varying the judgment of the Court of Appeal) (Lord Radcliffe dissenting): that the payments of interim income were not annual payments within Case III of Schedule D, because, among other reasons, they were paid by the Crown; that they were sums assessable under Case VI; that they should be included in the computation of the company's actual income for the respective years in which they were received; and that the amounts of tax wrongly deducted had been received by the company.

Electronics in the Office

Computer Conference

IN his opening address at a recent one-day conference on 'Computers for the smaller firm', held in London by the Central London Productivity Association, Mr T. R. Thompson, director, Leo Computers Ltd, said that a computer should not be used for jobs that would employ less than five clerks for a whole week. He considered that during the next five years municipal boards, accountants and banks might set up service bureaux to share computers. There would be an operating team for each computer to perform all the jobs for the bodies sharing it.

Mr W. A. Freyenfeld, M.A., Burroughs Adding Machine Ltd, stressed that a computer was not an electronic 'brain' since it could not think or decide but was moronic and simply obeyed rigid instructions. The computer market today was of the order of £4–£4½ million per annum and to equip the whole of British industry over a twenty-year period would cost from £300–£500 million. In ten to fifteen years' time, he believed £30–£50 million per annum would probably be spent.

The justification for a small computer, said Mr C. M. Berners-Lee, Ferranti Ltd, was that it was on the spot and handy. It was a mistake for a business to purchase a small computer unless it had previously had experience of service work on a large one. The big savings with a computer came in the more efficient employment of capital – as in stock control – than of labour.

Mr John A. Goldsmith, M.A., A.C.A., A.C.W.A., spoke of computer service centres and emphasized that university computer departments are keen to help firms in their neighbourhoods. The cost per hour of using small, medium and large computer installations was about £15, £50 and £160 respectively. It might, of course, be more economical to use a large computer with its higher output than a small one. The cost of getting ready for an installation might well be as much as the cost of the machine itself. Mr Goldsmith went on to say that if several firms used one computer it would ensure that it was not under utilized. A machine working for six hours a week at the start could cost £68 per hour; this would become £43 per hour if used for ten hours a week or £16 per hour if used for 40 hours per week. The two types of firms who have so far shared a computer, he said, were firms in the same industry or profession, or firms in different industries but which were situated in the same area. He added that several local authorities were learning on a service basis and when the load warranted it, they would probably have their own machine.

New Data Processing System

WITH the object of making available to the smaller business a new range of data processing equipment, a system designated the IBM 1401 has been developed by IBM United Kingdom Ltd.

The new system is designed to provide a high-speed input and output combined with the stored programme versatility and logical power of large computers. It thus aims at solving the problems of offices whose accounting procedures have been circumscribed by the input and output speeds of conventional machines.

The basic 1401 equipment consists of three units that fit into an area of about 300 sq. ft. These units give card reading at 800 cards a minute, processing at computer speeds, line printing at 600 lines a minute and card punching at 250 cards a minute. Up to six magnetic tape units, each giving a transfer rate of up to 62,500 characters a second can be added to the system. Its features include an entirely new method of printing. This uses a precision-made chain of engraved type faces operated by electronically timed hammers to allow its high printing speed without loss of alignment or quality. A high-speed skip over unused sections of forms at up to 75 inches per second gives an output performance equivalent to that of a conventional printer operating at 4,800 lines a minute.

Opinion Polls Analysed by Computer

TO assist in the work of analysing and co-relating statistics arising from their public opinion polls and market surveys, a National-Elliott 803 computer has been ordered by Social Surveys (Gallup Poll) Ltd.

Expected to come into operation in the summer of next year, the machine is relatively smaller than most computers yet incorporates some of the latest developments in computer design. It contains no valves; all logical, control and storage operations are performed by magnetic cores switched by junction transistors. Everything except the control desk, input and the output mechanisms is contained in a cabinet measuring 5′ 6″ by 1′ 4″ by 4′ 8″ high.

Data will be fed into the machine on punched cards and after processing, the results will be punched into paper tape and printed out on automatic typewriters.

Air Ministry Orders a Computer

THE Air Ministry recently ordered an electronic computer to handle the payroll calculations of the 80,000 civilians working at the Ministry's headquarters and at airfields and establishments throughout the United Kingdom.

The computer – an EMIDEC 1100 – is expected to be able to complete the Ministry's employees' pay statistics in little over half the working week and in addition to the payroll, the computer will eventually carry out various statistical and other tasks.

The calculations involved for the Air Ministry's civilian staff have to be made in accordance with an extremely complex code of regulations, and the computer, it is claimed, will enable this work to be carried out more efficiently and economically than before. The equipment will automatically prepare pay sheets, coin and note lists for cash wages, cheques and bank transfer slips for monthly staff, and pay slips for all civilians.

A central pay office, where pay and personal records will be kept, is being established near Manchester, and the computer will form the nerve centre of this new establishment. It will be possible to provide at short notice detailed statistics concerning costs and numbers of staff employed throughout the country. The computer will cost £190,000 and is scheduled for delivery by the end of next year.

A VIEW OF THE FUTURE

PRESIDENT'S COMMENTS ON AUDIT PROCEDURE

Manchester Chartered Accountants' Annual Dinner

'Sometimes it is good to gaze into the crystal, and I am going to do so tonight, to see what the future may hold for our profession,' declared Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of the Manchester Society of Chartered Accountants on November 19th.

Saying that his views were entirely personal, Mr Peat stated that for some years past audit procedure had been 'tending away from a detailed checking of the books' and moving instead on lines which reflected more closely the main objective which is the verification of the assets and liabilities and the appraisement of the balance sheet and profit and loss account from the standpoint of whether they show a true and fair view. He continued:

'I believe that within twenty years there must be further development along these lines to the extent of superseding much of our present audit procedure. We shall pay much more attention to an intelligent examination and testing of the accounting system and the internal controls, and, of course, further developments in mechanization and electronics must affect our procedures and eliminate much of the time-wasting drudgery of casting and posting.

'What I have predicted so far, obviously applies to the larger industrial concerns. I now turn to that most important and numerous section of industry represented by the smaller companies and sole traders.

'It seems fairly certain that the writing-up of incomplete records by highly skilled accountants will be uneconomic for the small trader, and that there must be some alternative to his being thrown back upon the services of more or less unqualified accountants.

Standardized Forms

'At this point I must have another look into the crystal and what I see is interesting. Over a period of years all commercial paper work such as cheques, sales invoices and purchase invoices will be standardized for size and layout so that they can be directly used in a punched-card system or an electronic computer.

'In every town of any size there will be at least one computer centre where shopkeepers and other small businesses will be able to take their records weekly or monthly to be processed.

'From the records so completed the qualified accountant will draw up a set of accounts and advise his client on any improvements in the accounting layout and assist him to conduct his business with increasing efficiency.

'I must not be too flippant, but when mechanized accounting was first introduced it was predicted that the accountant would soon be a man with an oil can. Perhaps it would be logical for me to predict that the accountant in twenty years' time will carry a geiger counter when looking for a radioactive difference in an electronic trial balance.' (*Laughter.*)

Mr Peat went on to say that in addition to streamlining their audit programmes, chartered accountants would certainly regard it as their normal duty to extend their services in the field of management accounting and for this reason the tendency would be to require an ever-increasing proportion of highly skilled staff.

Turning to the question of fees, Mr Peat said:

'There is one matter of great importance to which I wish to refer; it is the fees which our members receive. This may be an embarrassing topic with so many of our distinguished clients with us tonight but I am sure they have the well-being and efficiency of our profession at heart even if it is only from a sense of intelligent self-interest.

'Let me quote from the speech of my predecessor in office at the autumn meeting a year ago. Mr Barrows said "the time has come when it is essential for fees to be raised substantially if the standing and work of the profession are not to deteriorate", and went on, "the major item of cost for a practising accountant is the remuneration of his staff".

Adequate Salaries Required

'If we as accountants are going to give you, our clients, the increasingly intelligent and efficient service you demand, we must recruit and train a first-class kind of young man and woman and pay them salaries adequate to their skill and sufficiently attractive and competitive to keep them from straying out of our fold into yours. I know that most people are prepared to pay generously for work which results in obvious advantage, but much of an accountant's time is devoted to ordinary work, such as auditing and the yearly round of tax computations and negotiations with the Inspector of Taxes. Clients are apt to take these services for granted and to grudge the fees asked, but they must bear in mind that even the regular day-to-day work has to be done with accuracy and the staff employed must have the highest qualifications if the work is not to suffer. No individual or group of individuals is perfect and I am not defending the position where work is done below our high professional standards. You, our clients, have the obvious remedy, but work well done, of whatever kind, deserves an adequate fee.'

Sir Leonard Stone, proposing the toast of 'The Institute of Chartered Accountants in England and Wales', commented on the high standard of qualification demanded for membership. Sir Leonard said that, many years ago, when an eminent King's Counsel sent his son into the offices of a chartered accountant for twelve months before allowing him to be called to the Bar, it was felt that the young man was being put back for a year and that he would be wasting his time. Since then, however, he (Sir Leonard) had never ceased to marvel at the wisdom of the young man's father.

Mr F. H. Walsh, F.C.A., President of the Society, who presided over the company of 400 members and guests, proposed the toast of 'The Guests'. He reminded the gathering that the Manchester Society was the largest and one of the oldest district societies of the Institute. It had a membership of 1,600 scattered in parts of Cheshire, Derbyshire and even Yorkshire, and the whole of Westmorland.

Mr Walsh spoke of the untiring work of honorary officials of the district societies throughout the country, and expressed his thanks to Mr J. V. Eastwood, F.C.A., honorary secretary of the Society, for all his work over the past year. Thanks were also due to Miss Isabel Ritchie, B.A., the Assistant Secretary, and her staff.

Dr W. D. L. Greer, the Bishop of Manchester, responded on behalf of the guests, and the occasion concluded with a vote of thanks to Mr Walsh, which was proposed by Mr W. Hare, M.A., F.C.A.

Notes and Notices

PERSONAL

MESSRS SHIPLEY, BLACKBURN, SUTTON & Co, Chartered Accountants, of 52–53 Jermyn Street, London, SW1, regret to announce the death, on November 6th, of Mr DAVID REES EVANS, F.C.A. Mr EVANS became a partner in 1948 when the firm absorbed his practice carried on under the style of BROWN, HORNSBY, EVANS & Co.

CHARTERED ACCOUNTANT MEMBER OF MONCKTON COMMISSION

The Hon. Geoffrey Ellman-Brown, C.M.G., O.B.E., F.C.A., a member of the Rhodesian Society of Accountants and a former member of the Executive Council, Southern Rhodesia, has been appointed a member of the Monckton Advisory Committee on Central Africa.

RETIREMENT PENSIONS

Earnings Limit to be Raised

Proposals to raise from £3 a week to £3 10s a week the net amount which retirement and widow pensioners can earn without reduction in their pension were recently announced by Mr John Boyd-Carpenter, Minister of Pensions and National Insurance. For widowed mothers the net amount – now £4 a week – would be raised to £5 a week.

As required under the National Insurance Act, 1946, the Minister has asked the National Insurance Advisory Committee to report to him on draft regulations[1] which would give effect to his proposals.

RATING RETURN FOR 1958–59

A return of rates and rateable values published recently by the Ministry of Housing and Local Government[2] shows that the average rate levied in England and Wales for 1958–59 was 18s 4d compared with 18s for 1957–58. The rateable value of all property at April 1st, 1958, was £610,240,000, compared with £601,873,000 at April 1st, 1957, an increase of 1·4 per cent. Receipts of local authorities from rates in 1958–59 are provisionally estimated at £548 million, compared with £532 million in 1957–58. The product of a 1d general rate for 1958–59 is estimated at £2,442,445 compared with £2,378,862 in the previous rating year. The amount of rates estimated to be collected per head of population was £12 2s as against £11 13s in the previous year, an increase of 3·8 per cent.

Detailed figures from each local authority area show that the most highly rated urban authority during the year under review was Bedwas and Machen, Monmouthshire, with a rate of 32s in the pound. Bournemouth, with a rate of 11s 4d was again the lowest rated borough in England and Wales. The lowest rated urban districts were Walton and Weybridge, Surrey, and Tickhill, Yorkshire West Riding, each with a rate of 14s 6d. Walton and Weybridge also had a rate of 14s 6d in 1957–58, but for Tickhill it represents a decrease of 2s 6d.

[1] Preliminary Draft, National Insurance (Earnings) (No. 2) Regulations, 1959. H.M.S.O. 4d.

[2] *Rates and Rateable Values in England and Wales, 1958–59.* H.M.S.O. 4s net.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Residential Course on Management Accounting

Over sixty members of The Leeds, Bradford and District Society of Chartered Accountants, together with a number of guests from other societies, attended a successful three-day management accounting course held at Harrogate from November 13th to 15th.

Three papers were presented: 'Every accountant a management accountant', by Mr Christopher Bostock, M.A., F.C.A. (to be reproduced in next week's issue of *The Accountant*); 'The chartered accountant as director', by Professor Robert Browning, M.A., LL.B., C.A.; and 'Management accounting – a problem of communications', by Mr W. H. Leather, M.A., F.C.A. Each paper was followed by group discussion, and later matters of interest and questions raised during the discussion were submitted to the speaker in open session.

Everyone present enjoyed the course and appreciated its practical value. Members were glad to welcome Mr C. U. Peat, M.C., M.A., F.C.A., the President of the Institute, at the final session on Sunday.

CHARTERED ACCOUNTANTS IN JERSEY

First Year of the New Association

The Bailiff of Jersey, Sir Alexander Moncrieff Coutanche, Kt., proposed the toast of the English Institute at the first annual dinner of the Jersey Association of Practising Chartered Accountants held recently at *Hotel L'Horizon* on the shore of St Brelade's Bay.

Having prepared for the evening by reading the *Members' Handbook* – not a loose leaf was out of place in the copy he received! – Sir Alexander Coutanche said he was interested to find that the procedure of the English Institute in seeking a new Royal Charter was reminiscent of the procedure in Jersey in obtaining new legislation. He welcomed the formation of the Association.

Replying to the toast, Mr Douglas A. Clarke, LL.B.,

F.C.A., a member of the Council of the Institute, said that their English colleagues valued the initiative taken by Jersey chartered accountants in linking their new Association with the London and District Society of Chartered Accountants. He went on:

'The existence of your association for all the practising accountants of Jersey should not only strengthen the profession and create bonds of friendship between the members, but it will also make a contribution to the economic life of the island. The creation of this association is a further development in the long history of professional and business life in Jersey; and the founders of the association, many of whom are present this evening, must feel very proud of what they have given birth to, something new in the history of Jersey and something new for our own profession. I am sure that the store of knowledge and experience of economic matters that this association represents can from time to time be of great use when new legislation is needed in Jersey.'

Mr W. T. Scarborough, F.C.A., proposed the toast of the guests in a delightful speech, making special reference to the presence of the Bailiff of Jersey, the Attorney-General of Jersey, Senator Cyril Le Marquand, President of the States of Jersey Finance Committee, and Mr G. H. Hamon, Comptroller of Income Tax. Mr R. H. Le Masurier, D.S.C., Her Majesty's Attorney-General for Jersey, made a witty reply.

LONDON COST CONFERENCE

A London Regional Cost Conference was held last Saturday by The Institute of Cost and Works Accountants at the Connaught Rooms. The conference was opened by Mr W. S. Risk, B.COM., C.A., F.C.W.A., Vice-President of the Institute, and papers on 'The effect of national economic policy on costs' were presented by Mr Ian T. Morrow, C.A., F.C.W.A., a Past President of the Institute, and Mr Paul Bareau, City Editor of the *News Chronicle*.

Mr Bareau devoted his paper to the wider generalities of the subject and to the influences having a bearing on the level of commodity prices in general. He stated that the political pull in most countries of the world is still ultimately towards inflation. The best that had been achieved in the United Kingdom over the past twenty years was a comparatively short-term levelling of prices. The sheer mass of production from the new industrial revolution may be expected, he felt, to hold back the advance in prices; but it would do no more than hold it back and it was his belief that over the long run the advance, though much more gradual than previously, would continue and that the slow erosion in the value of money would persist.

In his paper dealing with methods of combating inflation, Mr Morrow stated that when one takes the individual firm faced with the problem of inflation the key nearly always lies in the order book. A company finding that it is almost turning away orders, or is in difficulty in meeting delivery promises, often pushes aside normal industrial economics and sanctions and pays a high price for raw material and labour, and makes wasteful improvisation. Any worries about costs, Mr Morrow said, became secondary to the drive for output regardless of the consequences.

He emphasized that there was undoubtedly scope for fruitful collaboration between economists and management accountants to investigate the problems of recession and expansion – 'how they come about, what stimulates them and how they can be controlled'.

THE INSTITUTE OF ACTUARIES

Sessional Dinner

A sessional dinner of The Institute of Actuaries was held at Grosvenor House, Park Lane, London, last Wednesday at which the Chancellor of the Exchequer, the Rt. Hon. Heathcoat Amory, M.P., was the principal guest. The President of the Institute, Mr F. M. Redington, M.A., F.I.A., was in the chair and among the guests were:

The Rt. Hon. J. A. Boyd-Carpenter, M.P. (*Minister of Pensions and National Insurance*); The Rt. Hon. Sir Norman Brook, G.C.B. (*Secretary of the Cabinet and Joint Permanent Secretary of the Treasury*); Mr W. B. Ross Collins (*Chairman of Council, Corporation of Insurance Brokers*); Sir Cecil Crabbe (*Chief Registrar of Friendly Societies and Industrial Assurance Commissioner*); Mr G. B. Esslemont, C.B.E., J.P., F.I.M.T.A. (*President, Institute of Municipal Treasurers and Accountants*); Mr E. Emmerson, F.C.W.A. (*President, Institute of Cost and Works Accountants*); Mr D. J. R. Evans (*President, Chartered Insurance Institute*); Mr W. Jackson (*President, Association of Certified and Corporate Accountants*); Mr G. Kitchen, T.D. (*Chairman, Industrial Life Offices Association*).

Sir Roger Makins, G.C.M.G., K.C.B. (*Joint Permanent Secretary of the Treasury*); The Rt. Hon. R. Maudling, M.P.; Mr W. E. Parker, C.B.E. (*President, Chartered Accountants' Students' Society of London*); Mr C. U. Peat, M.C., M.A., F.C.A. (*President, Institute of Chartered Accountants in England and Wales*); Mr J. B. H. Pegler (*Chairman, Life Offices' Association*); Mr A. R. Reid (*President, Faculty of Actuaries*); The Rt. Hon. The Lord Ritchie of Dundee (*Chairman, London Stock Exchange*); Mr H. A. Walters (*Chairman, British Insurance Association*); Mr R. Ward (*President, Institute of Arbitrators*).

The toast of 'The Institute of Actuaries' was proposed by the Chancellor of the Exchequer and Mr Redington replied. Mr P. F. Hooker, F.I.A., treasurer of the Institute, proposed the toast of 'The Guests', to which the Rt. Hon. the Lord Radcliffe, P.C., G.B.E., responded.

Year-book 1959–60

The 1959–60 *Year-book of The Institute of Actuaries*, now published, records that membership of the Institute on July 31st, 1959, numbered 2,175, an analysis of which shows that 966 were Fellows, 342 Associates, and 867 students. Of the 966 Fellows, 430 were with British assurance offices, 42 in consulting practice, 33 in industry and commerce, and 32 in Government service; of the remaining 429, 265 were employed overseas – the majority with Dominion and foreign assurance companies and in Government service.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Wednesday, December 9th, at 6 p.m., when Mr C. W. Aston, A.C.A., a general manager of Peninsular & Oriental Steam Navigation Co, will speak on 'Company reports from the director's point of view', in the unavoidable absence of Sir Halford Reddish, who was to have addressed the meeting.

GRIMSBY CHARTERED ACCOUNTANTS' ANNUAL DINNER

The annual dinner of the Grimsby and North Lincolnshire Branch of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants was held at *The Royal Hotel*, Grimsby, on November 19th. The chairman, Mr L. S. Wrightson, F.C.A., supported by the President, Mr A. A. Beardsall, F.C.A., presided, and there were about 120 members and guests present, including The Rt. Hon. Viscount Crookshank, C.H., Mr S. J. Pears, F.C.A., Vice-President of the Institute, the Mayor of Grimsby, the Mayor of Cleethorpes, and

Messrs C. M. Strachan, O.B.E., F.C.A. (*a member of the Council of the Institute*); K. P. Helm, F.C.A. (*President of the District Society*); N. Townend, F.C.A. (*Hon. Secretary, District Society*); C. Crummy (*President, Insurance Institute of Grimsby*); Frank C. Smith (*President, Grimsby and District Local Centre, Institute of Bankers*); S. Harmston (*President, Grimsby and Cleethorpes Law Society*); E. Myles Garner (*President, Gt. Grimsby Incorporated Chamber of Commerce and Shipping*); A. G. Horton (*Hon. Secretary, Chartered Accountants' Students' Society of North Lincs*).

In proposing the toast of 'The Institute', Viscount Crookshank said that he had a high regard for the profession and for years had told young men who had sought his advice on their careers to become chartered accountants – 'if they could make the grade'.

In his response, Mr Pears referred to the question of fees and said that one of the troubles of the profession was that accountants were as unwilling to fix proper fees as their clients were to paying them. He went on to speak of a recent visit to the United States and Canada, where he found tremendous energy going into research and recruitment. On the American continent they were training their young people with enthusiasm and were considering the possibilities of post-qualification training. Mr Pears thought that this country could do equally as well.

Mr J. M. Smith, J.P., A.C.A., a past chairman of the Branch, in a humorous speech proposed the toast of 'The Guests', to which the response was given by Mr C. P. Mastin.

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

The Ipswich and Colchester Branch of the East Anglian Society of Chartered Accountants held its first annual dinner on November 11th at *The Red Lion Hotel*, Colchester.

Among the company of ninety-nine attending the dinner were several senior staff members and articled clerks, as well as personal and official guests. His Honour Judge T. F. Southall proposed the toast to the Branch, to which the President of the East Anglian Society, Mr C. H. Sutton, F.C.A., replied. The toast of 'The Guests' was proposed by Mr G. G. G. Goult, F.C.A., a member of the Council of the Institute, and Mr Bernard Mason, O.B.E., responded.

The Branch, which has been formed within the last two years, has already held several very successful meetings and lectures for the benefit of members and students.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

Due to pressure of business, Sir Wentworth L. Rowland, Bt., F.C.A., has resigned from the secretaryship of the Chartered Accountants' Hockey Club but will continue as a committee member. Present and prospective members are therefore requested to address all communications to Mr C. O. Merriman, A.C.A., the new hon. secretary, at 3 Frederick's Place, London, EC2.

The officers of the club, whose president is Sir William S. Carrington, F.C.A., are:

Messrs C. O. Merriman (*hon. secretary and hon. treasurer*); D. A. Tripp (*hon. match secretary*); J. D. Liggatt (*hon. auditor and P.R.O.*); and committee members: Messrs A. C. A. Myers, M. A. Charlton, S. J. Titcomb, N. Holland, S. N. Elgar, M. L. Pecker and Sir Wentworth L. Rowland, Bt.

CHARTERED ACCOUNTANTS' CHRISTMAS CARD

The chartered accountants' Christmas card once again makes its welcome appearance, at the same price and in time for sending overseas.

The coat of arms of The Institute of Chartered Accountants in England and Wales is die-stamped on the front page in red and gold and a greeting printed in black appears inside the card's four pages. The general impression is of a Christmas card worthy of chartered accountants.

The card measures $4\frac{3}{4} \times 5\frac{1}{2}$ inches and the price, including envelopes and purchase tax, is 12*s* per dozen post free. Supplies can be obtained from Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

A discussion group meeting for London members of The Institute of Chartered Accountants of Scotland will be held on Monday next in the Oak Hall of the English Institute, Moorgate Place, EC2, commencing at 6 p.m. The subject will be: 'The six and the seven' (the common market and outer free trade area) and the speaker, Mr J. H. M. Pinder, M.A., managing editor of *The Economist* Intelligence Unit.

THE INSTITUTE OF INTERNAL AUDITORS

London Chapter

The next meeting of the London Chapter of The Institute of Internal Auditors will be held next Wednesday, when Mr T. P. Lyons, personnel officer of Phillips Croydon Works Ltd, will speak on 'The art of persuasion in industry'.

Inquiries about membership of the Chapter should be addressed to the secretary, Mr E. N. Judge, South Eastern Electricity Board, 10 Queen's Gardens, Hove 3, Sussex.

Newcastle Chapter

'The audit report' will be the subject of a talk to be given by Mr J. O. Davies, F.C.A., A.C.W.A., European regional vice-president of The Institute of Internal Auditors, at a meeting of the Newcastle Chapter to be held at 7 p.m. on December 3rd, at the County Hall, Newcastle upon Tyne, 1.

Inquiries regarding membership and activities of the Chapter should be addressed to Mr J. R. Newsome, 19 Larchwood Avenue, Woodlands Park, near Gosforth, Newcastle upon Tyne.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Social

The President has now arranged the following guest speakers for the annual dinner on December 14th:

- General Sir John Westall, formerly Commandant-General of the Royal Marines;
- Mr John French, O.B.E., B.C.L., chairman of the committee of the Issuing Houses Association and also of the joint committee which reported recently to the Bank of England on the control of take-over bids; and
- Lord Ritchie of Dundee, chairman of the Council of the Stock Exchange.

All the tickets for the Christmas Dance on December 18th have been allotted and it is regretted that there is a long list of unsuccessful applicants. Another of the popular summer dances will be held in mid-1960, but final details are not yet available.

Meetings

About 350 students attended the mock annual general meeting of the South Sea Bubble Car Company on November 9th, which was most instructive. The auditors' report provoked a lot of discussion on the requirements of the Ninth Schedule in that respect.

Arrangements are now being made for the spring session mock meeting which will take the form of a tax appeal.

Recent attendances at the Monday night general lectures have been very disappointing in view of the increased membership of the Society and the importance of the subjects of the lectures. It is to be hoped that more members will attend during the spring session to obtain the help of experts speaking on subjects of such practical benefit towards their qualification.

The Debating Group have held a debate and a 'Brains Trust' during November. The debate was against the Midland Bank Debating Society.

Education and Training

Last April the committee submitted to the Parker Committee a memorandum on the subject of education and training for the profession after taking into consideration the views expressed by members of the Society. A questionnaire was then received from the Parker Committee. The *ad hoc* sub-committee has answered this and, with the committee's approval, has submitted its answers to the Parker Committee. The Society's sub-committee has since met the Parker Committee and given its views on points arising.

Sports

The association football team won both its matches in October: 5–0 against Reading University, and 2–0 against St Bartholomew's Hospital.

Next Week's Meetings

The following meetings of the London Students' Society will be held during next week:

Monday, 5.30 p.m., in Room 174, Winchester House, Old Broad Street (corner of London Wall), EC2: Lecture on 'Where the Companies Act fails', by Mr Hugh T. Nicholson, F.C.A. Chairman: Mr Douglas A. Clarke, LL.B., F.C.A., a Vice-President of the Students' Society.

Wednesday, 5.30 p.m., at the Institute: Concluding lecture and discussion in the mechanized accounting course, by Mr Dudley W. Hooper, M.A., A.C.A., Chief Organizing Accountant, National Coal Board.

6.15 p.m., at *The St Paul's Tavern*, Chiswell Street, EC2: Dinner debate with Westfield College, University of London, on the motion 'This house believes in nursery rhymes lies the corruption of the young'.

7 p.m., at Reading: Lecture on 'Auditing – verification of assets and liabilities', by Mr R. S. Waldron, F.C.A.

Thursday, 5.30 p.m., at the Institute: Lecture and demonstration of Kalamazoo accounting methods (limited number).

Saturday, 10 a.m., at Bedford: Lectures on 'The form of executorship accounts' and 'Statutory apportionments', by Mr A. G. Hillman, F.A.C.C.A.

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Company Law Inquiry

THE welcome news that LORD JENKINS has accepted the invitation of THE PRESIDENT OF THE BOARD OF TRADE to head the committee of inquiry into company law has to be read in a much wider context. MR MAUDLING pointed out to the House of Commons, when he made the announcement, that the savings of the nation were growing and that the Government considered it to be in the national interest that savers generally, and especially small savers, should be able to invest their savings in the expanding economy with confidence.

Only a minority of savers buy company shares; they are greatly outnumbered by those who prefer to deposit their money, or to acquire shares in building societies and in industrial and provident societies, shares which have more in common with deposits than with company shares. THE CHANCELLOR OF THE EXCHEQUER has already announced that he intends this session to introduce new legislation concerning building societies. The unfortunate events leading up to his decision are too well known to need repeating. Apart from building societies, there are many other institutions which spend vast sums of money on advertisements inviting the public to deposit money with them (including the one which invited the public to 'share in our prosperity' at a time when it would seem to have been insolvent!) Bearing in mind the close scrutiny exercised over prospectuses offering shares and debentures, it is remarkable that the law should make it so easy to invite unsecured loans, without even publishing a balance sheet.

What the Jenkins Committee will not do is to inquire into the question of what expenses may legitimately be deducted for tax purposes; this was made clear in MR MAUDLING's answers to a questioner. At the same time, when considering the duties to the public of any form of organization, it is legitimate to bear in mind the tax discrimination exercised in its favour. Building societies enjoy certain privileges in relation to income tax and stamp duties; privileges granted no doubt on the assumption that they are bona fide building societies performing a useful public service. It is disquieting to read of societies duly registered as building societies which seem to be no more than an easy way of avoiding borrowing control and providing a means for financing large property transactions, some of them of a dubious nature. Industrial and provident societies also enjoy a certain amount of tax discrimination on the same assumption, but not all such societies have a moral claim to such favoured treatment.

The names of the members of the new Jenkins Committee

are to be announced shortly. The Committee's terms of reference are as follows:

'To review and report upon the provisions and workings of the Companies Act, 1948, the Prevention of Fraud (Investments) Act, 1958, except in so far as it relates to industrial and provident societies and building societies, and the Registration of Business Names Act, 1916, as amended; to consider in the light of modern conditions and practices, including the practice of take-over bids, what should be the duties of directors and the rights of shareholders; and generally to recommend what changes in the law are desirable.'

The last review of company law was necessarily based on pre-war experience and, excellent as it was, the work of the Cohen Committee needs to be supplemented now by a more modern inquiry having regard to practices which have flourished post-war. The Prevention of Fraud (Investments) Act, 1958, contains provisions much older than its title would imply, for it is but a consolidating Act. It is mainly concerned with the hawking of shares and with circulars issued by would-be purchasers of shares, and there are indications that it is in some respects too restrictive of legitimate activities.

The Registration of Business Names Act, 1916, was amended by the Companies Act, 1947, on recommendations of the Cohen Committee, but has not since had attention.

It is the take-over bid which has brought the spotlight to bear on company law in general, and the duties of directors and the rights of shareholders in particular. One fact shines out: in a take-over the directors of the taken-over company always seem to emerge with a considerable material advantage. A person seeking to take over a company's shares is precluded from circularizing the members direct – by the Prevention of Fraud (Investments) Act. The approach must be through the directors, or through licensed or exempted dealers. Directors thus usually get advance notice of the special demand for the shares and are often in a position to buy and sell them at a profit.

If the directors hold a negligible number of the shares (and many directors of public companies are in this position) and do not speculate in them, they may still expect large payments as compensation for loss of office. True, the Companies Act requires disclosure and approval of these payments but their approval is almost always a foregone conclusion. The fact that compensation will be made is taken into account when the price of the shares is fixed, and the purchaser can therefore be relied upon to see that the necessary resolution is passed, although the compensation is really at the expense of the sellers. Insult may be added to injury when the recipient of an enormous sum in 'compensation' promptly accepts another directorship at an even higher salary than he had before.

The law relating to the duties of directors to the shareholders who appointed them and who pay them is scattered over a number of unrelated provisions of the Companies Act and over a still larger number of decided cases – a great many of them decided in the last century when shareholders were mainly wealthy people employing bankers, brokers and lawyers to look after their interests. That law is too vague and too contradictory, and it is rather hard on the impecunious holder of a modest hundred shares who can hardly be expected to travel long distances to meetings or to employ professional advisors.

There is therefore much to be said for the inclusion of some new sections in the Companies Act defining in simple terms the duties of directors and the rights of shareholders, and putting effective curbs on the powers to cut down those duties and rights by manipulation of the articles of association. The Companies Act, 1958, of the State of Victoria, in Australia, goes a little way towards that ideal. Section 107 (1) provides quite simply that a director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office – a provision which does not appear in our Companies Act, because the principle is enshrined in case law. Section 107 (2) provides that an officer of a company shall not make use of any information acquired by virtue of his position to gain an 'improper' advantage for himself or cause detriment to the company. This goes much further. May the Jenkins Committee make a similar recommendation.

Radcliffe Report Debate

'ALTHOUGH on one or two specific matters I have not been able to go with the Committee, and on the very important but more theoretical aspects I have suggested that a final judgment would be premature, I have said enough to show how very considerable is the debt we owe to LORD RADCLIFFE and his colleagues.' Thus did THE CHANCELLOR OF THE EXCHEQUER conclude his opening address to the debate in the House of Commons last Thursday week on the report of the Committee on the Working of the Monetary System[1].

The CHANCELLOR concentrated on the major recommendations of the Committee. The first concerned the relations between the Treasury and the Bank of England, a relationship which the Radcliffe Committee sought to reconstitute in its outward form by requiring all pronouncements regarding changes in Bank rate to emanate from the CHANCELLOR, who was to be guided by a standing committee. It was, stated the CHANCELLOR,

> 'of great advantage that when the Bank rate was changed there should be general knowledge here and throughout the world that the change is not only approved by the CHANCELLOR, but also advocated by the Bank of England. I fear that this advantage would be lost if all changes were made on the CHANCELLOR's direction'.

'The arrangements for the future, which', the CHANCELLOR pointedly remarked, 'I have, of course, agreed with the Governor of the Bank, will be on the following lines.' The Court of Directors has delegated to the Governor standing authority to settle changes in Bank rate with the CHANCELLOR on behalf of the Bank. The Governor will be free to have discussions with the Committee of the Treasury and with other part-time directors of the Bank. But, added MR AMORY, the Governor will not put specific proposals regarding Bank rate changes before them. Instead, following these discussions and the exchange of views between the CHANCELLOR and the Governor, the latter will 'make a formal written proposal to the CHANCELLOR on the day before the change is to be made, and I shall convey my formal approval in writing on the same day'. It is self-evident that this change in procedure will emphasize the fact that Bank rate changes are made only with the CHANCELLOR's approval; furthermore, it stresses the purely advisory function of part-time directors.

The Radcliffe Committee's proposal for a standing committee drawn from the Treasury, the Bank and the Board of Trade to advise the CHANCELLOR was rejected. MR AMORY 'doubted whether the best way of obtaining [advice] is by means of this proposed committee'. The CHANCELLOR's alternative is that a full-time representative of the Bank will be appointed to each of the various official committees by which economic policy is already formulated. This will ensure, declared MR AMORY, that the expertise of the Bank is available to all those engaged in advising Ministers on economic policy.

Another and equally controversial proposal of the Radcliffe Committee was that local authorities and the nationalized industries should obtain their long-term capital needs via the Public Works Loan Board and Treasury. The CHANCELLOR was unable to accept this suggestion since it merely represented a return to the situation prevailing between January 1953 and October 1955, when the Government found 'it could not fully control either the timing of these issues or their maturities'. In contrast, however, the CHANCELLOR warmly welcomed the Committee's recommendations for better statistics. The matter is being 'urgently studied', but the House was warned that the 'process of improvement must be gradual'.

Following the CHANCELLOR, MR HAROLD WILSON for the Opposition observed that 'although the CHANCELLOR did make some perfunctory remarks of gratitude to the Radcliffe Committee, it was quite clear that he has virtually rejected every recommendation'. The Government's view of the report will come as little surprise to readers of this journal, for the official attitude on the above aspects of the report was anticipated in a leading article in the issue of August 29th.

[1] Cmnd. 8270.

The Outer Seven

WITH the recent signing by MR HEATHCOAT AMORY and MR MAUDLING in Stockholm of the convention establishing the European Free Trade Association, a new era in British overseas trade policy has been inaugurated. Together with its six co-signatories, Austria, Denmark, Norway, Portugal, Sweden and Switzerland, the United Kingdom proposes by the progressive reduction of tariffs and other trade barriers to establish within ten years a free trade area inside the association's frontiers. The objects of the association are several: economic expansion, full employment, the rational use of resources, financial stability and a higher standard of living; all to be achieved through the medium of free trade which will stimulate competition and efficiency in production. The reduction and final elimination of import duties other than purely Revenue duties, is to be started with a 20 per cent reduction on July 1st next and will continue with eight further reductions of 10 per cent. Whereas this programme may be accelerated by the unanimous consent of the signatories to the convention, there is no provision for postponing the final removal of these trade obstacles.

There are three alternative ways in which goods may qualify for tariff reduction on entry into any of the member countries. First, they must have been wholly produced within the area of the association; secondly, they may be produced by certain processes within that area, and finally, they may be admitted at the lower rate of duty if not more than 50 per cent of their value consists of non-area materials.

The second and third criteria are referred to as the 'process' and the 'percentage' rule respectively. For a wide range of categories of goods, including raw materials, the importer will be entitled to claim area tariff treatment under either rule, but for a limited class of goods, in particular clothes and textiles, such treatment may be claimed only under the 'process' rule.

One reason why the free trade area negotiations during recent years between the United Kingdom and the Common Market countries failed, was the latter's insistence upon a common external tariff. This was demanded on the grounds that unless raw material import costs were equalized there would be no possibility of equal competitive conditions. Such a situation would give rise to what is described as 'deflections of trade', i.e. the growth of one member country's exports at the expense of another's domestic industry which is handicapped by high import duties on its raw materials. Despite this difficulty, it has been decided that within the E.F.T.A. each member country shall be allowed to determine its own external tariff, i.e. *vis-à-vis* non-member countries. To meet the problem of 'deflection of trade', the convention proposes that any member which considers itself to be so affected may bring the matter before the council of the Association as a 'matter of urgency' or through the 'complaints procedure'.

In contrast with the carefully defined rules of the Common Market and its sponsors' efforts to anticipate all possible difficulties with appropriate organizations, the E.F.T.A. appears to be relying primarily upon the goodwill and the desire to co-operate among the member countries to ensure that the Association will work. In other words, any difficulties which arise are assumed to be capable of settlement by reasonable parties prepared to compromise for the sake of the larger objective.

Nevertheless, escape clauses have been written into the convention to assist any member country which may find itself in balance of payments difficulties, or to protect a particular industry which, as a result of free trade, is suffering unduly from unemployment. Such concessions may not, however, be invoked for more than eighteen months and, to facilitate adjustment to the new situation, new restrictions on trade or specific help from other member countries may be conceded. Unlike the Common Market scheme, there is no special organization for providing capital and aid for development.

To avoid the risk that Governments or other public agencies may intervene to assist affected industries and thereby frustrate the benefits of the free trade policy, the convention prescribes any Government aid to such industries and,

more especially, export subsidies. For the same reasons, public undertakings, e.g. fuel and transport, in the member countries may not conduct their activities in such a way as to give domestic producers aid or protection. In any case, it is provided that each country is under an obligation to eliminate restrictive practices; for example, no member may discriminate against nationals of another member country seeking to set up or operate a business in that country.

The European Free Trade Association is now, perhaps to the surprise of some observers, in being. Two major questions remain to be answered. First, will the E.F.T.A. succeed or will particular national producer interests, affected by free trade, force their respective Governments to reverse the present trend in policy? On the answer to that question depends, in part at least, the answer to the second: What is to be the relationship between the E.F.T.A. and the Common Market? The more successful in operation the E.F.T.A. becomes, the more desirable will a merger appear to the Common Market countries. It was noteworthy that, upon the signing of the convention, a resolution was passed stressing the virtues and past successes of European co-operation. The existence of two groups, states that resolution,

> 'inspired by different but not incompatible principles, implies the risk that further progress along these lines [i.e. co-operation] might be hampered, if such a danger could not be avoided by an agreement to which *all* countries interested in European economic co-operation could subscribe'.

This then is the real challenge; division or unity within Europe[1]. Exactly 100 years ago the Cobden-Chevalier treaty of commerce was signed by England and France. It ushered in an era of free trade and prosperity in Europe. One can only hope that history will repeat itself.

[1] A pamphlet, *The Outer Seven*, published by the Westminster Chamber of Commerce, provides a readable account of the development of the E.F.T.A. and of the failure of the United Kingdom Common Market negotiations.

National Insurance Act, 1959

CONTRACTING OUT

by GORDON A. HOSKING, F.I.A., A.T.I.I.

THE authorities concerned have now made a start on the issuing of the enormous volume of regulations which they have to make under the National Insurance Act, 1959. There are over forty places in the Act where regulations are required. The first three Statutory Instruments (1959, Nos. 1860, 1861 and 1902) have now been made and are in operation.

Non-participation Certificates

S.I. 1959 No. 1860 – the National Insurance (Non-participation – Certificates) Regulations, 1959 – provides that the Minister shall appoint an officer to be the Registrar under Part II of the Act and Mr N. Leach, an under-secretary at the Ministry of Pensions and National Insurance, has been so appointed. He is given the title of Registrar of Non-Participating Employments. Mr K. R. Malcolm, an assistant secretary at the Ministry, has been appointed Deputy Registrar. Their address is 10 John Adam Street, London, WC2, and they are available for interviews and correspondence with any employer who is considering contracting out for all or any of his employees.

Part II of this regulation provides that if an employer intends to apply for a certificate that, in respect of all or some of his employees, employment with him is to be non-participating employment – in more common phraseology he is applying to 'contract out' – then he must give one month's notice to the employees concerned, to the trustees of any trust involved and to any assurance company concerned. A notice on a notice board in a conspicuous place will satisfy the first condition but the others must be effected by specific written notice delivered or sent by registered post. The notice must make clear the description of persons in respect of whom application is being made and must draw attention to the fact that the Registrar can defer the issue of a certificate in the light of any representations made by or on behalf of those concerned.

The application to the Registrar must be in writing and must be accompanied by a copy of the rules of the pension scheme, which is to give 'equivalent benefits' to the employees who it is proposed should be contracted out.

Any application to vary or to revoke a certificate – and the power to vary or revoke may prove very important on a change of legislation – must also be in writing.

The Registrar has power to require further information such as reports and accounts relating to the pension scheme whenever an application to contract out or to vary or revoke a certificate is made.

Under Parts III and IV provision is made for dealing with any question as to whether a person is contracted out and, if so, for what period. The Registrar may deal with the question himself or may appoint a person to hold an inquiry or he may refer the question to the adjudicator. The adjudicator has the further duty of dealing with appeals from any decision of the Registrar. The Lord Chancellor has appointed Mr Henry Salt, Q.C., to be the Adjudicator.

Once a certificate has been issued, the Registrar is empowered to require reports and accounts to be sent to him, and one month's notice must be given to him of any proposed change in the rules of the pension scheme.

S.I. 1959 No. 1902 – The National Insurance (Modifications of Pension Schemes) Regulations, 1959 – is made by the Chief Registrar of Friendly Societies. Section 15 of the 1959 Act gives the Registrar of Friendly Societies power to authorize the modification or winding-up of a private pension scheme in connection with the passing of the Act. The regulations deal with modification only and make it clear that the Registrar will exercise his powers only if the proposal cannot be carried out under the normal procedure without serious difficulty.

Equivalent Benefits

S.I. 1959 No. 1861 – The National Insurance (Non-participation – Benefits and Schemes) Regulations, 1959 – deals with points arising under Section 8 of the Act. That section provides that an 'equivalent' pension shall be payable for life except for such causes as may be prescribed. Regulation 2 provides that a pension may still be regarded as 'equivalent' even though there may be provision for suspension or termination upon assignment or any attempt thereat (it is as well that this has been included since the Inland Revenue require this condition before granting approval to a scheme) in the case of mental disorder or inability to act (though, as suggested in this journal when the draft regulations were published, it must be possible to apply the pension for the support of a spouse or dependants) in the case of imprisonment or in the case of return to employment with the employer.

The remainder of S.I. No. 1861 covers a further point in Section 8 of the Act. The 'equivalent benefits' must be provided under an irrevocable trust or assurance or annuity contract established in connection with some trade or undertaking carried on wholly or partly in Great Britain by a person having a place of business therein. A trust must be subject to the laws of any part of Great Britain and any contract must be made with an insurance company covered by the Insurance Companies Act, 1958, a registered friendly society, an industrial and provident society or the National Debt Commissioners.

The Act itself has quite a lot to say as to what are to be regarded as 'equivalent benefits' under a pension scheme. First of all it is only the retirement benefit (not the death benefit) which must be at least as favourable as that obtained by the payment of graduated contributions under the Act on earnings of £15 per week (no matter what the actual earnings). Such a pension must be available at 65 for men or 60 for women (such ages need not be the normal ages as long as there is such a pension available then if the person retires). Any part of a pension regarded as 'equivalent' must not be capable of surrender, commutation or assignment and the pension must be payable for life except as noted above.

The pension accruing by the payment of graduated contributions on the basis of earnings of £15 per week is about 10½*d* per week (females 9*d*) for each year of service. There must be very few occupational pension schemes which give less than this, so that practically all employers with pension schemes can consider whether they should contract out for some or all of their employees who are members of the scheme or schemes.

Will it Pay to Contract Out?

The question arises, will it pay to contract out? Before we can answer that question, we must ask other questions. How does the ratio of cost to benefits under the graduated part of the national scheme compare with that in a private scheme? What are the administrative consequences of contracting out? What would be the psychological effect on the employees as a whole of contracting some or all of them out? Will future legislation

operate against an employer who has contracted out or his employees?

The following table compares the contributions under the national scheme payable by and on behalf of a contracted out employee with those for an employee not contracted out (age 18 or more).

NOT CONTRACTED OUT

Earnings per week	Males Employee	Males Employer	Males Total	Females Employee	Females Employer	Females Total
	s d	s d	s d	s d	s d	s d
£9 and under ..	8 4	7 0	15 4	7 2	6 4	13 6
£10 ..	9 2	7 10	17 0	8 0	7 2	15 2
£11 ..	10 0	8 8	18 8	8 10	8 0	16 10
£12 ..	10 10	9 6	20 4	9 8	8 10	18 6
£13 ..	11 9	10 5	22 2	10 7	9 9	20 4
£14 ..	12 7	11 3	23 10	11 5	10 7	22 0
£15 and over ..	13 5	12 1	25 6	12 3	11 5	23 8
CONTRACTED OUT						
Over £3	9 11	8 3	18 2	8 0	6 9	14 9

The retirement pension provided under the graduated part of the national scheme is 6*d* per week for every £15 of joint contributions paid by and on behalf of a male (£18 female) under that part, i.e. over and above 15*s* 4*d* total contributions per week for a male (13*s* 6*d* female).

Thus, if a male earning £10 per week were contracted out, the joint contribution would be 18*s* 2*d* instead of 17*s* and he would not acquire any graduated national benefit! Taken in isolation, therefore, it does not pay to contract out at £10 per week. At £11 per week for a male the reduction of joint contributions from 18*s* 8*d* to 18*s* 2*d* by contracting out involves the loss of too much benefit to make it worth while. At £12 the joint saving by contracting out is 2*s* 2*d* per week. At £15 per week wage, 7*s* 4*d* per week is saved jointly. On what standard are we going to decide whether the saving is worth while? The one that first springs to mind is: what benefits could be provided with the same money under a private scheme?

The difficulty about answering this question is that a great deal depends on the type of pension scheme involved. To make a fair comparison we must consider, in the case of a male, not only the retirement pension benefit which is given up by non-payment of graduated contributions but also the widow's pension. This latter amounts to one-half of the man's graduated pension accrued at the date of death but is payable only while the widow's age exceeds 60.

Rate of Interest Earned

The principal relevant variation as between schemes in making this comparison is the rate of interest effectively earned on the contributions in providing the benefits. Current pension premium rates offered by insurance companies effectively give 4 per cent or a little more and perhaps quite a bit more under with-profit contracts depending on the bonuses which are declared. Under current forecast bonuses, the rate may be 4¾ per cent or 5 per cent, but profits will depend, *inter alia*, on the rate of interest which can be earned by the insurance company in the future. Under a pension fund holding assets in the form of stock exchange or other investments, again, the benefits which can be paid depend, *inter alia*, on the rate of interest which can be earned.

At present British Government securities can be bought to yield a little over 5 per cent. There are some 6 per cent industrial loan stocks standing only a little above par. A good selection of equity shares purchased, say, two years ago might now be showing a yield of over 7 per cent on cost and a capital appreciation of perhaps 100 per cent. In considering a pension scheme, however, the long-term view must be taken.

It is because of these reasons that each employer considering contracting out must have regard to what his money is earning and is likely to earn in his private scheme. The following table gives some idea of the type of comparison which will emerge.

WEEKLY PENSION (PENCE PER WEEK) EARNED IN ONE YEAR (WIDOW HALF FROM AGE 60)

Age at which contribution paid	National graduated pension	Effective rate of accumulation in private scheme, i.e. rate of interest plus or minus capital profits or losses 4%	5%	6%	7%
	d	d	d	d	d
Male earning £12 per week – joint contribution saved by contracting out – 2*s* 2*d* per week – £5 12*s* 8*d* per annum					
25	5¼	11	18	28	44
35	5¼	7	11	16	22
45	5¼	5	7	9	11
55	5¼	3	4	5	6
60	5¼	3	3	3	4
Male earning £15 per week – joint contribution saved by contracting out – 7*s* 4*d* per week – £19 1*s* 4*d* per annum					
25	10½	37	59	94	148
35	10½	25	36	52	75
45	10½	17	22	29	38
55	10½	11	13	16	19
60	10½	9	10	11	13

Employees Leaving

While the above table illustrates the primary comparison to be made, there is another financial aspect to consider. What happens when an employee leaves?

When a contracted-out employee leaves, he must be put in the same position as regards retirement pension as if he or she had not been contracted out and had been earning £15 per week. There is a choice of three ways in which this may be done in each individual case:

(1) An amount – known as a payment in lieu (P.I.L.) – may be paid to the National Insur-

ance Fund. This would be 7s 4d (female 8s 11d) for each week of contracted-out employment. Up to half this amount may be recovered from any withdrawal benefit covering the same period payable to the employee under the private scheme.

(2) A paid-up pension of not less than 10½d (females 9d) per week for each year of contracted-out service may be granted in the private scheme.

(3) A transfer value may be paid to another contracted-out scheme, if the employee is joining it, and the other scheme would then take over the liability to pay an 'equivalent' pension.

Purely on a costing basis (1) will rarely be the best choice and (3) will depend on the transfer value which is agreed with the other fund; (2) will generally be the cheapest apart from the administrative angle. It may be better from an administrative point of view to pay £11 under (1) than have to provide a pension of 6d per week commencing in, say, thirty years' time. But what about £550 instead of 25s per week, bearing in mind the interest that the £550 would earn?

Whether (2) becomes a popular choice will depend on what arrangements can be made for payment of these paid-up pensions. It is believed that the Ministry will be willing to help in putting the employee in touch when he is due for his pension, and central paying agencies may be set up by the life offices for insured schemes and by the Association of Superannuation and Pension Funds for privately administered funds.

If labour turnover is likely to be high, the very fact of having to make any provision for a leaving employee will reduce the financial advantage of contracting out employees earning less than £15 per week. It therefore seems that among female employees only the higher paid over, say, age 30 are likely to be worth contracting out.

Conditions for 'Splitting'

We do not yet know clearly what systems of dividing up employees for contracting out will be acceptable, but it is clear that in any one pension scheme the males may be contracted out and the females not; monthly paid contracted out and others not; those above, say, charge-hand contracted out and others not; those under, say, age 50 contracted out and those over not, or any combination of the above.

While the effects on the joint contribution have been examined above, the employees' contribution also needs to be borne in mind as the lower paid employees may pay more under National Insurance if they are contracted out.

The considerations above are somewhat bewildering but the difference in cost of the benefits is so large in some circumstances that it cannot be ignored.

One further note should be sounded. There may be features in regulations not yet issued which will affect the financial comparison.

Administrative Consequences

Turning now to our next question – what are the administrative consequencies of contracting out? Firstly, there is the process of obtaining a certificate from the Registrar, and the periodical provision of information. Secondly, there are the consequences on the wages and records departments. If no employee is contracted out, one system of arriving at National Insurance contributions will apply to all. Tables on the lines of the P.A.Y.E. tables will be issued (but there would be no code numbers). If some employees are contracted out these tables will apply only to the others who are over age 18 and earn more than £9 per week. Some kind of annual return will have to be made of any graduated contributions paid. For contracted out employees the present flat deduction will continue. On balance it would seem that contracting out will save some work unless the very fact of having two systems is a bar.

What are the psychological effects likely to be? If the employee clearly understands the position, there should be no objection provided any disadvantages to the employee are met, e.g. if any lower paid employee were contracted out, by a small wage adjustment to meet any increase in National Insurance contribution. There has as yet been no general pronouncement by the trade unions on contracting out.

What may further legislation bring? Nobody can answer this, but all political parties have expressed themselves in favour of not damaging the development of private schemes and encouraging some form of contracting out. Retrospective legislation to the disadvantage of contracted out employees or their employers therefore seems unlikely. The effects of prospective legislation can, if necessary, be avoided by the use of the power to revoke an election to contract out. In that event, all contracted-out employees must be given the same terms as if they had left.

Obviously, there is a great deal more to be heard about contracting out before the system settles down but the starting date – April 1961 – is not far away and the matter will have to be treated as one of urgency.

Every Accountant a Management Accountant

by CHRISTOPHER BOSTOCK, M.A., F.C.A.

Introduction and Statement of Thesis

WHEN you consider that the term 'management accounting' was almost a new one in this country eight years ago, the volume of interest which has been generated in a short space of time is really remarkable. It is now possible to distinguish two phases in this interest: the first, which lasted from 1945 until about two years ago, was one of inquiry. Although the term management accounting was not in common use until 1951, the ideas which it represents – in its simplest terms the use of accounting figures as an aid to management – have a much longer history and, so far as our Institute was concerned, formed an important part in immediate post-war thought and discussion. As the term and the

had been the concern of the accounting profession from its earliest days. These opposing views have not yet been reconciled and it is part of my object to try to suggest the lines on which reconciliation should be attempted. My thesis may, therefore, be stated as follows:

> Management accounting is faced with the choice of setting itself up as a separate art or being reunited with the main stream of accounting thought and practice. Separate development will harm both the accounting profession as a whole and management accounting in particular, and the solution lies in the acceptance of the idea that every accountant should be a management accountant.

In stating this thesis I am not suggesting that the specialized

qualities of the chartered accountant in the eyes of the public, for many of you will have heard them repeated by young men or their fathers at the time that they are seeking articles for themselves or their sons. At the risk of a little over-simplification, most of this can be boiled down to 'a good knowledge of double-entry'. And double-entry is certainly not something to be laughed at. Not only is it a good way of learning to keep a set of books, but it is also a sound basis for orderly financial thinking. It is really the science of the relationship of capital and income and since businesses, in most instances, exist to put capital to profitable use – that is to make capital earn income – it is right that double-entry should be entrenched in the field of financial management. But it must not be looked at too narrowly: double-entry is as effective for inducing orderly thinking in accounting for the future as it is for accounting for the past. In other words, it is as useful for budgeting as it is for historical accounting.

Of course, there are many other things which articled clerks are meant to learn in the course of their training which are equally important however they decide to use the skills they obtain during articles. Such things include a basic understanding of the principles behind taxation and company law, some costing principles and the use of internal and external checks to constitute an audit. But it would still be fair to say that the majority of the time spent during accounting apprenticeship is occupied in mastering double-entry – and I believe the effort to be worthwhile.

Then there is common ground among all accountants in the field available for the exercise of their skills. The clients and employers will be the same whether we seek to sell our services as management or other accountants. This is an obvious point, but it is just worth making because it shows that in my view some kind of management accounting is needed by businesses of all sizes and even by many individuals. It is an interesting sideline speculation to consider whether the effect of getting individuals in all income groups to work to a budget would be to encourage or discourage pressure for increases in salary and wage rates!

Finally, and in passing, I must remark that accountants in all callings have a community of interest in the sources of their remuneration. It is the same businesses which give us historical accounting and tax work to do – whether as employees or professional advisers – who are going to give us management accounting work, if we can prove that we have something worthwhile to sell.

The Single Difference

If the similarities between all accountants are easy to see it is not surprising that the differences are more difficult to identify. There is only one difference, but it is quite fundamental. At various times management accounting has been defined as more an attitude of mind than a science, and the view has often been expressed that this is not a very satisfactory kind of definition. But it does contain a real truth, which I should like to elaborate by saying that the difference between the management accountant and the historical accountant is that the management accountant realizes that his help and advice is only valuable if it assists management to do something in the future; while the work of the historical accountant has an intrinsic value of its own as an historical record for the use of third parties, such as absentee proprietors, investors, the Tax Inspector and, perhaps, the liquidator. The requirements of these third parties are to a greater or lesser extent embodied in law and if the law lays down certain requirements, then the accountant who produces figures which meet these requirements has produced figures with some intrinsic value.

The management accountant has no law on which to lean. The tests to which his figures will be subjected are entirely practical ones, and the chief of these is 'Will these figures help the business to make more profits?' Thus this attitude of mind, which is so fundamental to management accounting and which is so much talked about, requires that the management accountant should be knitted into the business which is employing him, so that he shares the hopes and fears of the management and realizes that he only earns his livelihood if, through his intimate knowledge of and feeling for the business, he is able to apply his skill to help its management to run it efficiently. If you contrast this with the detachment which is a vital part of the make-up of the auditor according to our present conventions, I think that the difference in attitude will become clear.

The Skills of the Management Accountant

Management accounting has at times been described as the art of helping management to make plans and then to guide current events in accordance with the plans; budgeting and reporting, if you would rather put it that way. And then just when the management accountant is beginning to think that here at least is a worth-while field someone comes along and tells him that of course he is not going to make the plans himself since that is the job of management.

At first sight it may seem that there is not really much of a job for the management accountant to do. But I would suggest that before he even thinks about these two particular jobs he should consider the essential preliminary of earning the confidence of management. Nothing can be attempted until this has been achieved. It is indeed the case that the raw material for most budgets will come from the management rather than the accountant, and this fact alone is sufficient to show that the management accountant will be in a hopeless position unless he has first got the confidence of the management. This he must achieve by exercising the helpful and sympathetic attitude of mind which is at the heart of management accounting.

Then and only then, he can exercise whatever skill he possesses to help management to look ahead. Now budgeting is definitely an art rather than a science, and financial budgeting can only be satisfactorily done as a joint operation between managers and accountants. The accountant's job is to provide the past historical information on which nine out of ten budgets will be based; to help in adjusting this to future conditions; and then to test the result to see that the parts of the budget are mutually consistent and include all aspects of the business covered by the budget. This is budgeting in its simplest form: it can easily and, often profitably, get extended into separately defined skills.

How to prepare and make use of trend information, how to use statistical sampling methods, when to call in the help of work, method and time study, market research, operational research, linear programming or economic model building; the management accountant must know when to call upon these special skills to help in preparing the budgets. Depending on the conditions under which he works, he may call himself master of all or none of these things, but he must at the least know when to say that their potentialities should be investigated. Thus although I hold the view that successful budgeting is more often than not a judicious mixture of common sense and practice, this is not the same thing as writing it off as an easy operation.

When the stage of budgeting is past, intelligent reporting of facts which are useful to management in helping it to take decisions about the future, is the next task. And this really falls into two parts – the first concerns the methods by which facts are collected and set against budgets to tell a story, and the second concerns the whole art of presentation so that figures come to life and tell their own stories in a living language.

The mechanics of collecting facts can vary from the very simple to the very complex, and there can be no question of proposing one system for use in all businesses. But the aim should be to establish a general ledger at the heart of the business which records all the 'actuals' needed by management and the budget figures as well. This ledger may, of course, bear little resemblance to a normal nominal ledger – it will almost certainly be much analysed; it will probably be mechanical; and it is just as good a ledger if it consists of a stack of punched cards or some rolls of magnetic tape. It will almost certainly need an 'accrual' section and stores and stock ledgers in it. But whatever form it takes it will retain the essential elements of analysis and double-entry. While, however, I believe that management accounting should set its sights towards such a fully integrated system I am not disposed to be rigid about it and I admit that there are cases where the right move in the first instance is to memorandum management or cost accounts in a parallel system or the kind of two-tier book-keeping system which incorporates a cost ledger and a financial ledger. If this can be done satisfactorily without duplicating information and clerical effort there is no very great objection to it.

I should just like to emphasize at this point two things about the sources of information within a business; these are:

(*a*) Information seldom, if ever, arises in the first instance in money terms.

(*b*) There is often much more basic information than appears on the surface.

I shall not elaborate except to suggest that conversion to money terms costs money and should, therefore, be avoided if possible, and that it is vital to look first for the information that does exist below the surface before rushing to the production of new forms, returns, etc.

The second part of the reporting task of the management accountant is that of presenting the results of his labours. This is where he must demonstrate skill in using figures as a real language – print, colour, spacing, selectivity, all need to be considered. Modern machinery has enabled the accountant to produce masses of information at low cost and he must carefully avoid any temptation to produce too many figures. The management accountant has got to establish his own criteria for the acceptance of figures in a report where his historical colleague can often fall back on legal requirements.

Where to use the Skills

If the above is an adequate description of the skills of the management accountant, where should they be used? At the present time there are two obvious fields – the first is from within a business, where the management accountant is on the staff doing a regular job. It will be obvious that what I have described above is the kind of work which a management accountant within a business will normally be concerned with. It will be equally clear that the management accountant working as an adviser or consultant will be doing much the same in a second field. He will spend more time getting a system installed than in running it – for most of his work will be so-called 'installation' work – but the skills he will use are the same.

But in addition to these two fields I believe there is a third most important one. This is again from outside and occurs in the course of the practising accountant's normal contact with his clients on accountancy or audit work. If we consider what I described above as the ideal general ledger set-up, I think it will be clear that no one could be engaged on accountancy or audit work on that ledger without coming into close contact with the management accounting system at work in the business. In such cases it would surely be difficult to do an audit which did not involve a critique of the management accounting system. But, of course, such ledger systems are very much the exception rather than the rule at the moment. I do not think that this should alter the principle.

If, for example, the stocks at the end of the year

differ greatly from those envisaged by the working capital budget, is not the auditor more readily put upon inquiry than he is after examining many pages of stock sheets? As another example, I remember a case where the audited accounts showed up a most unexpected loss which the management of the business then asked the auditors to explain. Their end-year figures stated the fact but did not give the reason; if they had been weaving the monthly accounts into the audit they must have discovered that the costing assumptions on which these accounts were based were very suspect. This would have meant not only that they could have accounted for the loss, but might have helped management to avoid it.

Management accounting and audit must be tied more closely together if the auditor is to retain the respect of his client. Herein lies the main clue to the reconciliation of the two branches of the profession and it is next necessary to consider the different kinds of work that the management accountant has to do so that it is possible to consider which of these might, under appropriate circumstances, form part of the function of the accountant who is not a management accountant.

How to use the Skills

There are five different stages in putting management accounting to work within a business and keeping the system properly maintained once installed, and these are:

(1) Creating an atmosphere within the business which recognizes the need for management accounting.
(2) The 'installation' period of getting a proper system of management accounting adopted and running.
(3) The normal running of the system.
(4) The interpretation and use of the information produced.
(5) The making of improvements.

The first stage is the essential preliminary of getting the business to think on the right lines; this poses the whole problem of the ability of the accountant to act as a salesman. Our profession at the present time has, in the field of management accounting, to work at a slight disadvantage because it has not in the past looked upon itself as an association of salesmen. The attitude has tended to be that we are equipped to give a certain service and that it is up to our clients or employers to recognize this and to say when they need help. I do not feel that this goes quite far enough; if we believe that in management accounting we have something which is of general application and use to businesses, we need not be reticent in going out to create a market for our services.

The two facts about management accounting which should be emphasized as selling points are:

(*a*) management accounting helps to give business managers more time to take the decisions which matter and, as a corollary, hopes to free managers from the necessity of taking a mass of small decisions with which they should not normally be concerned; and
(*b*) the management accountant clearly recognizes that it is the job of management to manage and that it is his job only to assist management in this task.

Accountants will be most successful as salesmen and management accountants when they approach the matter with a humility as regards their own ability – potential or actual – as managers and a recognition of the fact that ordinary managers get a 'real kick' out of their jobs and enjoy being managers. It is for these reasons that an attempt to sell management accounting should be based on the idea that by making an adequate use of figures managers will be able to use their own time more profitably and more enjoyably.

With regard to the installation stage, the only thing I wish to say is that more of the time available must be devoted to discovering the problems to be solved than to implementing the agreed solutions. The trained mind of the accountant, orientated towards management accounting, is often the best instrument available for locating the real reasons for inefficiency within a business and it will be obvious that the detachment which is bred into the young accountant is particularly valuable in this connection. As I shall suggest in a few minutes, it is for this reason that the installation work is likely to fall quite often to the outside consultant or adviser – even when the reconciliation between the two sides of the profession has been effected.

As to the form of management accounting to be adopted, I should just like to emphasize that there are many cases in which the non-accounting employees of a business know perfectly well what is needed, so that the function of the management accountant is more to lend his authority to the implementation of these proposals than himself to concoct brilliant and original schemes for presentation to management. An adviser who leaves a business thinking that it has done the whole job itself is a happy man who may soon be recalled: the 'know-all' expert is seldom waved goodbye and less seldom invited back.

When the system has been decided upon and established there remains a considerable repairs and maintenance operation to be done. However well the installation work is done in the first instance, there will certainly be teething troubles to be got over: at this stage the system will depend to a very great extent on the personalities concerned and the management accountant responsible for keeping it in running order must recognize this. Management accounting will only work where the management accountant has 'got himself across' to the whole of management, from the foreman who normally spends most of the money to the managing director who keeps a little for himself.

One of the most fruitful continuing sites for the

exercise of the skill of the management accountant is in the translation of information arising in the accounting records into a form which gives rise to management action. The Management Accounting Productivity Team in 1951 referred to the fact that the relationship between accountants and managers in this country was not always as friendly and as co-operative as it should be, and I believe that in this respect the accountant should take the initiative by stepping round the other side of the desk and presenting his accounting information in the language of management. This will require him to give allowance to personal preference or fads, to exercise judgement as to whether the addition of particular facts will increase or reduce the impact of the main message, to make a choice as to the way in which the information should be presented – which may vary from a few figures to many figures, from tabular statements to graphical presentation, from typewritten sheets to film strips.

There is a danger when anything new is introduced and installed that the people concerned with its introduction will feel that their task is complete provided the new equipment can be kept running; managers in charge of factories using machinery know that there is never any finality about the plant which they use. All equipment tends to become obsolete more quickly than it wears out and this is true of accounting machines and typewriters as well as automatic machine tools; it is also true of systems; the management accountant must carefully avoid any feeling of complacency and must always be looking around to see how the system can be improved.

General Practitioner or Specialist?

At the present time management accounting is generally in the hands of two classes of accountants and they are both specialists. These classes are the specialists employed within business and the specialists who offer their services as consultants or advisers. Where the circumstances are that a business which employs specialists on its staff also employs consultants for specified purposes, there will often be a natural division of duties which will leave the consultant with the primary job of doing the installation work and of initiating improvements, while the work of creating the right atmosphere, keeping systems running and interpreting the results will be handled by the permanent staff. The outside adviser who is consulted by a business which constitutes 'virgin ground' will normally hope that by the end of his work he has not only put in something that was not there before, but has also provided the client with a staff which is able to run it. In so far as the majority of management accounting installations done have been with medium and large businesses, this is no doubt true; but as the salesmanship of management accounting spreads to smaller businesses our profession will be faced increasingly with the problem of getting management accounting to work in a business which is never likely to be large enough to run its own specialist department.

The outside consultant firms and specialist departments of practising accountants are doing their best to tackle this problem, but their organizations are not really geared to give continuing advice in small doses to clients, and they would find the job of helping smaller businesses to make a good use of management accounting very much easier if they could rely on the ordinary non-specialist accountant, within the business or outside, to service the system once established. It is also true that because there are few businesses which are not in touch with qualified accountants in one way or another, while there are many businesses who have never had dealings with a consultant, that there is very little hope of management accounting becoming generally used in the 80,000-odd small businesses, on which so much of this country's economy depends, unless the task of getting business properly orientated towards management accounting in the first instance can be left to non-specialist accountants. For these reasons I feel that a proper division of work would give the general practitioner, whether inside or outside the business, the tasks of initial salesmanship, normal maintenance and interpretation of information, while leaving ample scope for the specialist in the fields of installation and the selling of refinements. If this position is to be reached it is obvious that management accounting must come clearly back into the general knowledge of the qualified accountant.

Changes in Attitude Required

I have already hinted at the overriding change that I think is necessary; this concerns the place of the general ledger in a business. I believe that historically it was the main source of financial information within a business and that it has in many cases sunk to its present position of being little more than the main source for the preparation of annual accounts because of the impact of the law on corporations in industrial states. What is necessary is for the ledger to get back to where it was before so that it is recognized that its function is to provide useful information for management daily, weekly or monthly, and only incidentally to form the basis of the annual accounts, rather than the converse. It must logically be better to have a central record which produces information which is used fifty-two times or even twelve times a year, than to have one which is only used once a year, and, if this means that the number of schedules which have to be prepared in order to prove the summarized figures which appear in annual accounts is greater than at present, then this consequence should be accepted in the knowledge that the extra work involved will not cost very much.

A consequence of seeking to re-establish the general ledger is that the forward-looking accounting with which management is primarily concerned – that is budgeting – should be done on the same basic principles as are employed in the backward-looking

accounting, i.e. the financial records. This suggests double-entry budgeting; and if we consider that a satisfactory budgeting system must ultimately culminate in a cash budget or forecast, it will be obvious that satisfactory budgeting presupposes the use of double-entry; in this way the effect of trading and profit and loss account items on balance sheet items is reflected as much in forward-thinking as in backward-thinking.

The re-establishment of the ledger and the acceptance of double-entry budgeting, are the methods by which management accounting will be brought to the centre of accounts departments within industries and, therefore, of the way in which auditors and financial accountants will be reunited in their thoughts with those peculiar specialists at present known as management accountants. The most important thing that has to be achieved is the establishment of mutual trust between salaried accountants, auditors and management. The new generation of managers which is coming to the top in an increasing number of businesses has received some training, whether practical or theoretical, in the use of accounting information as an aid to management. For this reason the demand for management accounting information will increasingly come from management and, unless accountants as a whole can be seen to be there primarily to meet this need, management is likely to take its own steps to produce a new breed that produces the information that it wants. It might be that for a time a separate species of historical accountant would survive, but in view of the fact that the preparation of historical accounts and the audit of them is normally regarded as one of the least productive of overheads, I should not expect this species to survive for long the fate of the pterodactyl.

This is the real issue which will face our profession within a few years. We are ourselves to blame for allowing the matter to come to this point but there is still time to remedy the position, and to do this we have to give serious thought to training in the profession and to the relationship between ordinary accountants and specialists. I hope that here we can avoid any rivalry or suspicion and can recognize that the accountant's main contribution, wherever he works, is as a general practitioner and that if he chooses to go off and become a specialist – whether in tax or estate duty or management accounting – he can only expect to earn a livelihood as a result of introductions from the general practitioner.

In an industrial community, wealth is ultimately determined by the ability to get men to use machines to fashion materials to produce saleable goods. The professions assist in the task of creating wealth; the medical profession exists to keep labour healthy and ensure a future supply of labour; the legal profession exists to ensure a stable relationship between the different elements in the community; and the accounting profession exists to maintain a proper financial balance within industries and in their relationships with each other. The professions are staff rather than line, they are non-productive rather than productive services, or, as they have sometimes unkindly been described, they are parasites. They must, in fact, justify their existence by giving a good service. There is clear evidence that the service which is called 'management accounting' can benefit the industrial and commercial community and our profession must endeavour to establish itself as being the main purveyor of this service. It is for this reason that I say that we should work towards the position where every accountant is a management accountant.

Weekly Notes

Accountancy Off the Air

THE programme relating to accountancy in the 'Choosing a Job' series on Network Three, to which we referred in our issue of November 21st, was not after all broadcast as scheduled last Monday evening.

It appears that certain difficulties arose from a re-recording that became necessary at a late stage, and it was decided not to proceed with the programme as originally arranged.

We would express the hope that the difficulties may quickly be overcome and that before long readers may have the pleasure of hearing 'Accountancy' on the air.

Costs and Prices

'THE general level of retail prices has not changed much since the second quarter of last year,' says the *Bulletin for Industry* issued by the Treasury, in its November number. It goes on to point out that certain special factors have been at work so that it is impossible to say that the underlying upward trend has been completely eliminated but that it has been much more moderate than in any period since the war. The main reason for the improvement, it says, has been the moderate increase in wage rates and earnings.

It will be interesting to see if the absence of inflationary pressure continues through the winter. Restocking by industry has now been under way for some time and the pressure on imports is likely to continue. There are now definite signs that capital investment for private industry is increasing and it remains to be seen if its expansion can be achieved with higher productivity of labour. The recovery in capital goods may be a substitute for the boom in consumer goods which cannot continue at its present

level for very much longer. It could, indeed, slacken off to some extent and still remain a buoyant factor in the economy. Recovery in the capital equipment industries might embolden the unions. A number of key industries, including engineering, already have either a demand for increased wages or reduced working hours in course of negotiation at the present time. It remains to be seen whether exports can expand sufficiently to pay for a higher import bill and whether rising productivity can offset increased earnings and reduced hours. If these two conditions are fulfilled, inflation can be held in check for a further period of time.

Measuring Large Companies

SOME of the preliminary findings of *A Survey of Large Companies*, by Ralph Harris and Michael Solly, published by The Institute of Economic Affairs,[1] were discussed in a leading article in our issue of October 10th. The provisional findings of the survey were concerned with the difficulty in measuring 'bigness' in companies and pointing out that size and importance were entirely different concepts. It was emphasized then that a company could be in an outstandingly strong position though small itself, operating in a small industry and having comparatively modest net assets in its balance sheet.

The authors consider that a starting-point in measuring size is to take the net output of a company. They think, however, that to measure a company's total economic weight will require a multiple index. This might link an absolute figure for net output with a capital ratio revealing the scale of operations required to produce it. To illustrate, the size of a company can vary significantly when measured by quite similar criteria. The authors of the survey found, for example, that of twenty-seven companies supplying full information, one was placed twelfth in size by employment figures, eighth by payroll size and top by welfare expenditure.

Listing industrial groups by the increase in the book value of net assets (taking a total of 151 companies), an increase of over 100 per cent was recorded most frequently in iron, steel, shipbuilding, vehicles, and other engineering and metal forming. Chemicals show the highest concentration in the range between 10 per cent and 50 per cent, while the smallest increases were recorded in textiles and clothing.

Diversification in Industry

THE diversification of companies into fields related to their own and even into fields which have no connection with their traditional interests has become increasingly popular in the last few years. Holding companies sometimes formed by the receipt of substantial quantities of cash as compensation for assets taken over by nationalization or sold to other interests, have sprung up to control a wide range of subsidiaries over many fields of trade and industry. Some of these have been very successful and others less so. Quite a number of them are public companies with a stock exchange quotation.

One of the most successful groups has been Thomas Tilling Ltd. At the recent annual conference of the British Institute of Management, the managing director of Tilling's addressed the conference on 'Private enterprise in a family of firms'. He said that subject to general policy directions, member companies of the group were free to manage their businesses in their own way. This involved a major managerial undertaking for the group has twenty subsidiaries, seventy underlying sub-subsidiaries and a total investment of nearly £9¼ million. This group is run with a headquarters staff of only thirty-nine people and its function is to judge new acquisitions and to approve estimates and budgets for companies acquired.

Running a group as large as this on such a small central staff is something of an achievement. All such groups have found that their main problems are to choose good concerns with an assurance of continuity of management, to delegate authority to the subsidiaries and not to spread their own top-level managerial ability too thinly over a wide group. The recipe is easier to set out than to put into effect.

E.C.G.D. and Confirming Houses

THE Export Credits Guarantee Department has introduced new policies covering confirming house business as from December 1st. These policies, which have been drafted with the advice of the confirmer's panel of the Association of British Chambers of Commerce, give substantially the same cover as policies covering sales. Export merchants who are insured with the department and are engaged in confirming house business have been notified of the change.

Up to the present a merchant's sales and his confirming business have been covered by the existing comprehensive guarantee and its shipments variant. From now on, renewal of a merchant's policy will cover only sales and cover for confirming house business will have to be obtained under one of the new confirming house policies. No option will be created for a merchant to cover only sales or only confirming businesses. He will be required to cover both sides of the business for the same period and on the same basis. Until the renewal date of a one-year policy or the next 'year-point' in a three-year policy is reached, confirming business will be covered by E.C.G.D. under existing policies. Three-year policy-holders will have the option from the next 'year-point' either of taking out a policy for their confirming business for the remainder of the period of the policy or of excluding that business: but this option will not be continued after expiry of the policy itself.

[1] Price 2 guineas.

Longer-term Credit for Exports

THE need to develop the London market for medium- and long-term export credit is one of the matters dealt with in the second edition of *Finance for Exports*, recently issued by the Credit Insurance Association Ltd. The opening sections of the booklet bring up to date a review of finance facilities for export credit originally set out in the first edition published in October 1953.

Looking to the future, the authors of the brochure put forward some views on two major issues. The first of these is the technique that should be employed for financing medium-term suppliers' credit where there is export credit insurance. The second is the growing problem of providing loans or credits in excess of the period covered by export credit insurance. This last has been the subject of representations by the Federation of British Industries to the Chancellor of the Exchequer. The booklet is in favour of creating a private market for the financing of exports and the view is put forward that this could best be done by encouraging the establishment of a number of export finance companies operating as profit-making ventures. Banks, insurance companies and big exporters of capital goods might co-operate in providing the share capital for such enterprises. It would be important, the booklet goes on, to bring in leading merchanting houses as shareholders to mobilize their expert knowledge in these matters. Such new companies would be able to attract new money into export financing. One reason, it is said in the booklet, why the insurance companies have never been attracted to this type of business is that it has not been possible to put forward propositions which meet their requirements for up to fifteen-year investments. Export finance companies with the right backing would be able to raise money by issuing preference shares or notes on terms which could meet insurance companies' requirements.

So far as the second problem is concerned, namely, the growing demand for credit outside the five years' cover offered by E.C.G.D., the association quotes the Radcliffe Committee as saying that if the Government considers that insufficient assistance is given in this respect to Commonwealth or other overseas development, it has powers to help under Sections 2 and 3 of the Export Guarantees Act. The association points out that there is an increasing demand for credit extending over a ten-year period, notably for capital projects abroad. The view expressed in the booklet is that the Government should make resources available through the mechanism of export credit for industry to be able to accept payment for goods over a ten-year period or even longer.

A useful compilation of development and export finance organizations has been prepared by the British Electrical and Allied Manufacturers' Association called *A Guide to Development and Export Financing Bodies*. It is priced at three shillings and gives an entirely factual account, in the form of a directory or reference brochure, of the main export financing bodies and development corporations. It is valuable as a quick reference document in a subject which now abounds in organizations with similar names but very different terms of reference and resources.

Valediction to E.P.U.

A FINAL report was recently issued by the managing board of the European Payments Union. For eight years the Union operated as an effective instrument of monetary co-operation among the members of O.E.E.C. It brought to the settlement of outstanding balances between its members a useful degree of flexibility and economy of resources. It was a vital and successful advance for the economic development of Europe since the war that the settlement of outstanding balances need no longer be done on a bilateral basis. It has been pointed out that out of a total of $46,000 million of balances settled through E.P.U., about 70 per cent were cleared by compensatory adjustments, leaving only 23 per cent to be settled by gold or dollar payments and just over 6 per cent by credit.

The E.P.U. system was able to start with an adequate fund of working capital which was contributed by the United States. During the life of the Union, trade between the monetary areas of members more than doubled and trade between those areas and the rest of the world went up by about 75 per cent.

The final report of the managing board of the Union summarizes the results of its operations, giving both a general analysis of the Union's techniques and also facts and figures about its operations. Certain aspects of the Union's payment mechanism have been retained under the European Monetary Agreement which replaced E.P.U. in December 1958. Under the multilateral system of settlement, members obtain settlement at declared rates of exchange and have to grant interim financial assistance to members within certain limits if requested to do so. To help member countries to overcome temporary balance of payment difficulties, credits of up to two years' duration can be granted by the European Fund established under the European Monetary Agreement.

Wider Powers for District Councils

IMPORTANT planning functions can now be delegated from county councils to district councils under new regulations put out by the Ministry of Housing and Local Government. County district councils with a population of 60,000 or more can claim delegation as from December 1st. If the Minister thinks fit he can require delegation in special circumstances to district councils with less than 60,000 of the population.

The main functions affected are planning permission, orders for preserving trees and the control of outdoor advertising. Mineral development is excluded but county councils may delegate this also if they so wish. The Minister has said that, in general, any

district council to which adequate technical advice is available should be left free to decide most applications for development which are in accordance with the development plan. He hopes that one result of the review of the existing arrangement will be to ensure the speedy handling of straightforward planning applications.

Where a Company 'Resides'

THE House of Lords on Monday allowed the taxpayer's appeal in *Unit Construction Co Ltd v. Bullock* (*The Times*, December 1st). The appellant, resident in the United Kingdom, was a subsidiary of Alfred Booth & Co Ltd, also resident, which had three subsidiaries registered in Kenya under the laws of that territory. In 1952 and 1953 Unit Construction Ltd made payments to the subsidiaries (subvention payments) which it would be entitled to deduct as expenses for tax purposes if it could be established that the three subsidiaries were 'resident in the United Kingdom and carrying on a trade wholly or partly in the United Kingdom'. The Special Commissioners found as a fact that the boards of directors of the African subsidiaries were standing aside in all matters of real importance and in many matters of minor importance affecting the central management and control, and that the real control and management was being exercised by the board of directors of Alfred Booth & Co Ltd in England.

The Crown had contended that, if by the constitution of a company, interpreted in the light of the relevant law (i.e. Kenya law) the management of the company's business was contemplated as being exercised, and ought therefore to be exercised, in Kenya, then for the purpose of British income tax the actual facts of management were to be disregarded and the control and management were to be deemed to be in Kenya.

Rejecting this, Viscount Simonds said that the business was not the less managed in London because it ought to have been exercised in Kenya; the company's residence was determined by the solid facts, not by the terms of its constitution. The other noble lords concurred.

No Schedule E Tax on House Loss Refund

ALSO on Monday the House of Lords unanimously rejected the Inland Revenue appeal from the decision of the Court of Appeal in *Hochstrasser v. Mayes* (*The Times*, December 1st). The case arose out of a scheme run by the Imperial Chemical Industries Ltd for employees transferred from one of the company's factories to another. An employee who entered the scheme was able, by virtue of it, to claim an indemnity from the company for the loss which he might incur on the sale of his house consequent on the transfer.

The Inland Revenue sought to make Schedule E assessments on indemnities paid under the scheme, on the grounds that such indemnities constituted emoluments of the employees' employments. Viscount Simonds, delivering the first speech, said that the bargain made was a good bargain for both sides. It was for the Crown to prove that the sum paid pursuant to it was a profit of the employment and they had failed to do so. Lord Radcliffe, concurring, said that the decision did not mean any qualification of the principle that an employer who paid an employee's personal bills as part of his reward for services rendered was paying a taxable wage or profit. Lord Radcliffe also said that the present case was a borderline case.

Balancing Charge on Nationalized Lorries

THE House of Lords held in *John Hudson & Co Ltd v. Kirkness* (34 A.T.C. 142) that compensation paid under the Transport Act, 1947, Section 30, in respect of plant was not paid on a 'sale' for the purpose of balancing charges under Section 292 (1) (*a*) of the Income Tax Act, 1952. It followed that balancing charges (and allowances) fell to be computed on the basis of the open market price of the plant at the time of nationalization. The Inland Revenue made balancing charges on the footing that the open market value was equal to the compensation paid, which compensation was computed by reference to a special formula. In two cases sponsored by the Road Haulage Association the taxpayers contested the Inland Revenue view, arguing that a sum fixed by a formula could not possibly be 'open market value'. The Special Commissioners have now upheld that argument and allowed the appeals. They determined the value by reference to an independent valuation having regard to market conditions at the time, and arrived at amounts totalling in one case to the equivalent of just under 25 per cent of the aggregate compensation received for the vehicles; in another case to just over 50 per cent. The Inland Revenue may appeal.

Whitworth Park Coal Co Ltd *v.* C.I.R.

IN the report, under 'Taxation Cases' on page 514 of last week's issue, of the hearing in the House of Lords of *Whitworth Park Coal Co Ltd v. C.I.R.*, *Brancepeth Coal Co Ltd v. C.I.R.*, and *Ramshaw Coal Co Ltd v. C.I.R.*, it is regretted that owing to our being supplied with an incorrect transcript the decision in the cases was wrongly given. The decision should have read:

> *Held* (varying the judgment of the Court of Appeal) (Lord Radcliffe dissenting): that the payments of interim income were annual payments within Case III of Schedule D: that they should be included in the computation of the company's actual income for the respective years in which they were received; and that the amounts of tax wrongly deducted had been received by the company.

'Clean-boot' Farmers' Losses

THE relief granted in respect of losses incurred by 'clean-boot' farmers has a prominent place in the report of the Comptroller and Auditor-General which accompanied the Appropriation Accounts of the Revenue Departments for 1958–59, published last Tuesday. It is estimated that for the year ended September 30th, 1958, the total amount of standard rate income tax allowed under Section 341 of the Income Tax Act, 1952 (losses set against other income) was some £39 million. About half of this was claimed by financial concerns, while farming losses of individuals and partnerships accounted for over a quarter of the remainder. The amount of surtax relief is unknown. The Courts have given such a wide meaning of the term 'husbandry' that it is difficult to resist loss claims, notwithstanding that the farm may be carried on in such a way as inevitably to incur losses.

The Appropriation Accounts and the report will be discussed in more detail in next week's issue.

This Is My Life . . .

by An Industrious Accountant

CHAPTER I

MY first day in industry just finished and feeling fine, but definitely aware of uncharted currents ahead.

Behind me six years before qualifying as a chartered accountant, followed by five years as audit clerk, two of which I spent in the firm's secretarial department. Now suddenly accountant-secretary to a go-ahead private company and no limits to my ambition. *Per ardua ad astra.*

Met the board this morning. The chairman, imposing, cordial and silver-haired, but with a glacial glint in his grey eyes. The managing director – like an illustration of a Jeffery Farnol hero – hawk-faced, hooded eyes in repose, with steel under the velvet glove. Combined friendship and appraisal. I look forward to working for them. The others, smiling and impersonal, should come into focus later.

My former principal had given me an outline of the position before I left London. The leading drapery house in this little provincial town, it had been going down for years; but the new managing director had revitalized it, and it was my job to modernize the Victorian accounting system. So I gave the board a brief summary of the new approach: work study, financial forecasting, punched-cards, budgetary control, and so on. But I must have laid it on too thick, for Jeffery F. suddenly gave me both barrels.

'One of our major problems here is synchronizing prompt deliveries of customers' orders with the most economical transport fleet for town and country work,' he said musingly. 'What are your views on the optimum ratio of the normally aspirated diesel direct injection to the maximum demand per kilowatt load in terms of van ton-miles?'

Or so at least it sounded. When I explained I had no experience of transport vehicles he nodded blandly.

'Your predecessor was the local expert, of course . . . perhaps you could prepare a study for me . . . I'm sure he'll give you every assistance. He has also accompanied our departmental managers on special buying tours, and achieved outstanding bargains on occasion,' he continued. 'Doubtless you will profit from his experience.'

I recovered sufficiently to reply with appropriate good intentions, but my peace of mind was ruined till I later discovered my predecessor's secret weapon. From preliminary bank and mercantile reports he learned what suppliers were short of liquid capital. Thereafter he waited till his buyer had struck his keenest bargain, then offered cash down for 7 per cent discount. The manoeuvre often worked, and served as a substitute for technical knowledge to earn him his high reputation.

* * * * *

AFTER lunch the personnel director showed me over the premises and introduced me round. He's rather like a young prince regent. Too plump, too pink, too well-dressed, too patronizing, and smelling slightly of brandy.

He doesn't seem quite right for the job, as he makes no pretence at impartiality. To some employees he was over-affable – Christian names and family inquiries. To others he was curt and showed plainly that he didn't wish to linger and their reaction was equally obvious. But he seemed to know all their individual histories and some of his personal comments were pungent and devastating.

According to Prinny, the board feel that their system is cumbersome and their staff consequently excessive. I am apparently expected to reduce the office staff by 20 per cent! When I asked innocently where they'd go, his answer was bland and characteristic. 'Couldn't care less, old chap. That's their headache.'

His parting remark foreshadowed some interesting days ahead. On learning that I'd had considerable taxation experience, he brightened up visibly. 'We must have a long talk later on, old chap. I had some sticky problems recently, perquisites and so on, so no doubt you can help me with these tax johnnies, what?'

My wife knows someone who knows Prinny's wife, and has already told me that every summer he has a group of the company's carpenters, painters and plumbers up to his home to do repair and construction work free of charge. Question: Has the Inspector of Taxes got a wife who hears tales also?

Finance and Commerce

Model Statement

FOR the first time Mr Ralph Gordon-Smith, chairman of S. Smith & Sons (England) Ltd, has this year included his annual review with the company's accounts.

> 'The main advantages to shareholders of this change,' he says, 'are that the chairman's views will be available to them some weeks earlier and can be read at the same time as, and in conjunction with, the report and accounts.'

It has taken the S. Smith Board some time to come to that conclusion but this move into line with modern practice is to be welcomed.

Moreover, Mr Gordon-Smith's statement is a model in clarity. He discusses the company's role in relation to the aviation, motor and horological industries, the prospects for those industries, and the 1959–60 trading and finance prospects of the Smith group.

The impression created is of a virile organization meeting increasing, but competitive, demand by the results of a heavy volume of capital investment and research-development expenditure. Inevitably there are problems, the major one of which is the difficult trading period that the British aviation industry has entered. Tariff reductions and increased import quotas make for competitive trading in the horological industry but, so far as the motor industry and the demand for timing and control devices for domestic appliances is concerned, the outlook is bright.

Arithmetic

The company's latest accounts – to August 1st, 1959 – are reprinted this week, though the notes and schedules have been omitted in order to leave space for some of the additional information provided. One of the most useful pages of extra data is that headed 'Salient points from the group accounts' which, it will be seen, provides the ordinary shareholder in the company with the kind of information on which equity investment policy is based: profits in terms of employed capital, cover for the dividend, and the dividend in terms of employed capital.

'Source and disposition of funds' and a 'breakdown' of shareholdings are other features reprinted.

But there is one omission in the report – a statement of turnover. Group sales are stated to have been 7 per cent higher than in the previous year, but the reader of the accounts is left to do some arithmetic to get at the figure. 'Disbursement of total income for 1958–59' shows that out of every £100 of income, depreciation took £3 5*s*, direct taxation £4 5*s*, gross dividends £3, and retained profits £3 10*s*. That seems to point to a turnover in the region of £38 million; but it is difficult to see why, having pointed to the possible figure, the directors should be so disinclined to state it clearly.

The 'Big Names' Lead Again

AS the number of shopping days to Christmas diminishes, this column glows with satisfaction. For in the world of company reporting it is at this time of the year that the big names in industry make the news with their half-yearly reports: Courtaulds, once the giant in silks, real and artificial, and now diversifying as hard as they can go; Wiggins Teape, the papermakers; Beechams, who have long outgrown their pills.

When companies like these – and others, for the list is growing – can publish figures at the half-year, general acceptance of the practice is on the way. It was like this that consolidated accounts arrived – twenty years before the law insisted. And it was the big names then who set the example.

Now, the call is for figures at least every six months as soon as possible after the accounting date. Each company will have its own difficulties; but so it was with consolidation. Once it would have been thought impossible that these big companies with their wide ramifications could accumulate their eight-figure sales and seven-figure profits and present them in a matter of a few weeks after the half-year's end. Now, it is becoming the accepted thing.

Inaugural Meeting

UNDER the chairmanship of Lord Ritchie a special committee to consider ways and means of improving share transfer machinery has had its inaugural meeting. The committee consists of three members of the Stock Exchange and representatives of the Clearing Banks, the Bank of England, the Issuing Houses Association, the Chartered Institute of Secretaries and the Accepting Houses Committee.

'Certain details' are to be studied and the findings reviewed and the process of exploration and discussion is likely to involve some months. Far-reaching changes are clearly needed – Lord Ritchie recently described the present system as 'archaic' – and with many parties involved the matter cannot be rushed. Nevertheless, with the pace of stock-market business putting an extremely heavy burden on the present machinery, it is to be hoped that the committee has a sense of urgency about its deliberations.

The present process, involving much clerical work and at least twelve operations – many of them through the post – has been shown to be completely out-dated. Some companies, it may be noted, are helping to oil the machinery by abolishing the fees for share registration, but an overhaul of the entire machinery is sorely needed.

SALIENT POINTS FROM THE GROUP ACCOUNTS

	1958/59	1957/58	1956/57
	£	£	£
CAPITAL EMPLOYED (At end of year)	16,527,000	15,265,000	13,801,000
Attributable to :—			
Ordinary Shareholders	13,061,000	11,598,000	10,327,000
Preference Shareholders	1,410,000	1,410,000	1,410,000
Minority Shareholders	286,000	282,000	267,000
Long Term Debt	345,000	349,000	353,000
Reserve for Future Taxation	1,425,000	1,626,000	1,444,000
	16,527,000	15,265,000	13,801,000
NET PROFIT BEFORE TAX	£3,604,000	£3,382,000	£2,847,000
% to Capital Employed	21.8%	22.2%	20.6%
NET PROFIT AFTER TAX	£1,931,000	£1,631,000	£1,278,000
EARNED ON ORDINARY SHARES (Net)	£1,866,000	£1,563,000	£1,215,000
DIVIDEND ON ORDINARY SHARES (Net)	£620,000	†£416,000	£332,000
Rate	17½%	†12½%	*10%
NUMBER OF TIMES COVERED	3.0	†3.8	3.7
GROSS ORDINARY DIVIDEND AS A RATE ON ORDINARY SHAREHOLDERS' CAPITAL EMPLOYED	7.7%	†6.3%	5.6%
TOTAL NUMBER OF SHAREHOLDERS	10,100	9,800	9,400
TOTAL NUMBER OF EMPLOYEES	20,600	19,800	18,000

* *Adjusted for 100% Capitalisation in December 1957.*

† *The 2½% special interim dividend paid in December 1958 is included in this column and not shown in the 1958/59 column.*

CONSOLIDATED PROFIT AND LOSS ACCOUNT
52 weeks ended 1st August 1959

S. SMITH & SONS (ENGLAND) LTD. AND SUBSIDIARY COMPANIES

	1958/59			1957/58		
		£	£		£	£
PROFIT BEFORE TAXATION			3,603,977			3,382,306
Deduct: TAXATION based on the profits for the Year: Income Tax		1,326,954			1,438,500	
Profits Tax		346,403	1,673,357		312,660	1,751,160
NET PROFIT AFTER TAXATION			1,930,620			1,631,146
Deduct: Minority Shareholders' Interests (less Tax): Preference Dividend—Kelvin & Hughes Ltd.		5,343			5,175	
Proportion of Undistributed Profits		17,547	22,890		22,870	28,045
CONSOLIDATED NET PROFIT			1,907,730			1,603,101
Transfer to Pension Reserves		32,536			20,174	
	£			£		
Dividends of the Parent Company in respect of the year (less Income Tax): Cumulative Preference 5%	41,856			40,534		
Ordinary—Special Interim paid 2½%	83,116			—		
Ordinary—Interim paid 4½%	159,365			116,362		
Ordinary—Final proposed 13%	460,388	744,725	777,261	216,101	372,997	393,171
	Parent Co. £	Subsidiary Cos. £		Parent Co. £	Subsidiary Cos. £	
RETAINED PROFITS	91,906	1,038,563	1,130,469	198,527	1,011,403	1,209,930
Items relating to previous years (Note 1)	180,302	197,698	378,000	6,349	16,226	22,575
Brought forward from last year	469,432	3,003,372	3,472,804	264,556	1,975,743	2,240,299
CARRIED FORWARD TO NEXT YEAR	741,640	4,239,633	4,981,273	469,432	3,003,372	3,472,804

The Schedules and Notes . . . form part of these accounts[1]

[1] Not reproduced – Editor.

CONSOLIDATED BALANCE SHEET · 1st AUGUST 1959

S. Smith & Sons (England) Ltd and Subsidiary Companies

	1st August, 1959 Authorised	1st August, 1959 Issued and Fully Paid	1st August, 1959	2nd August, 1958	2nd August, 1958
	£	£	£	£	£
SHARE CAPITAL OF PARENT COMPANY :					
5% Cumulative Preference Shares of £1 each	1,500,000	1,409,900			
Ordinary Shares of 4/– each	8,500,000	5,781,957			
	10,000,000	7,191,857	7,191,857		7,191,857
CAPITAL RESERVES			687,781		733,071
REVENUE RESERVES OF PARENT COMPANY :					
General Reserve		1,000,000		1,000,000	
Reserve against possible fall in Stock Values		400,000		400,000	
Pensions Reserve		150,000		150,000	
Profit and Loss Account		741,640		469,432	
		2,291,640		2,019,432	
REVENUE RESERVES OF SUBSIDIARY COMPANIES :					
Pensions Reserve	60,000			60,000	
Profit and Loss Account Balances (less pre-acquisition profits)	4,239,633			3,003,372	
		4,299,633	6,591,273	(3,063,372)	5,082,804
Total of Smiths Shareholders' Interests			14,470,911		13,007,732
FUTURE TAXATION:					
Income Tax 1960/61 and Taxation deferred by Capital Allowances			1,424,704		1,626,500
MINORITY INTERESTS IN SUBSIDIARY COMPANIES :					
Par Value of Share Capital held		232,189		234,673	
Proportion of Capital and Revenue Reserves		53,829	286,018	47,118	281,791
LONG TERM LIABILITIES :					
3¾% Guaranteed Redeemable Notes		250,000		250,000	
Mortgages on Freehold Properties		95,600	345,600	98,800	348,800
TOTAL CAPITAL EMPLOYED			16,527,233		15,264,823

The Schedules and Notes . . . form part of these Accounts[1]

	1st August, 1959	1st August, 1959	1st August, 1959	2nd August, 1958	2nd August, 1958
	£	£	£	£	£
FIXED ASSETS :					
Freehold and Leasehold Land and Buildings		3,063,971		2,901,583	
Plant, Machinery, Furniture and Fittings		3,795,602		3,205,578	
Motor Vehicles		277,799		238,211	
Tools and Other Equipment		602,683	7,740,055	503,165	6,848,537
INVESTMENTS AND ADVANCES :					
Trade and Sundry—Shares		111,323		115,703	
—Advances		180,349	291,672	169,776	285,479
CURRENT ASSETS :					
Stocks and Work in Progress less Payments on Account		7,137,517		7,161,815	
Debtors, Bills Receivable and Payments in Advance		6,191,218		6,548,358	
British Government Securities		—		198,089	
Cash at Bankers, on Deposit with Building Societies and Local Authorities and in Hand		1,605,290		781,719	
		14,934,025		14,689,981	
Deduct :					
CURRENT LIABILITIES AND PROVISIONS :					
Bank Overdraft (Overseas)	52,327			60,523	
Sundry Creditors and Accruals	4,199,517			4,449,207	
Exchange Adjustment Account	13,289			13,090	
Provision for Current Taxation	1,712,998			1,820,253	
Proposed Final Dividend—Net	460,388			216,101	
		6,438,519		(6,559,174)	
NET CURRENT ASSETS:			8,495,506		8,130,807
TOTAL NET ASSETS			16,527,233		15,264,823

Signed on behalf of the Board

R. GORDON-SMITH } *Directors*
FRANCIS J. HURN }

[1] Not reproduced. – Editor.

SMITHS GROUP

Source and Disposition of Funds

52 weeks ended 1st August 1959

	£	£
Source		
RETAINED PROFITS :		
Net Profit after Taxation	1,931,000	
Items relating to previous years	378,000	
	2,309,000	
Deduct:		
Dividends for Year (Net)	750,000	
		1,559,000
DEPRECIATION ON FIXED ASSETS		1,097,000
		2,656,000
Deduct:		
*DECREASE IN FUTURE TAXATION LIABILITY	225,000	
DECREASE IN LONG TERM BORROWING	3,000	
		228,000
		2,428,000
Disposition		
*NET EXPENDITURE ON FIXED ASSETS:		
Land and Buildings	318,000	
Plant, Machinery, Fixtures and Fittings	1,344,000	
Motor Vehicles, Tools and Other Equipment	272,000	
		1,934,000
*MOVEMENT IN WORKING CAPITAL (EXCLUDING CASH)		
Decrease in Stocks	−60,000	
Decrease in Debtors	−413,000	
Decrease in Current Liabilities	153,000	
		−320,000
ACQUISITION OF ADDITIONAL SUBSIDIARIES AND MINORTIY INTERESTS		132,000
PAYMENTS MADE OUT OF PENSIONS RESERVES		33,000
INCREASE IN ADVANCES		11,000
		1,790,000
Add:		
*INCREASE IN CASH		638,000
		2,428,000

*Movements resulting from the Consolidation of new Subsidiaries have been excluded.

S. SMITH & SONS (ENGLAND) LTD.

Ordinary Capital Distribution and number of Shareholders at 30th September, 1959

Shareholdings of Nominal Value	Number of Shareholders	% of Total Shareholders
£ — £		
UP TO — 100	3,114	34.98
101 — 200	1,903	21.38
201 — 500	2,209	24.82
501 — 1,000	977	10.98
1,001 — 5,000	558	6.27
OVER — 5,000	140	1.57
TOTAL	8,901	100.00

N.B.—The above figures do not include Preference Shareholdings.

CITY NOTES

HEAVY two-way business is still being transacted in the stock-markets and the equity market remains basically firm. There is now a tendency to switch from consumer goods shares into heavy industry securities on the basis that the former now discount future expansion some way ahead while the latter have tended to lag behind the tempo of the known recovery that the heavy industries are now experiencing.

Steel output is now running at over 90 per cent of capacity and many chairmen of leading engineering companies are reporting a marked improvement in order books. That improvement, however, has not extended to the shipbuilding industry which remains one of the uncertain spots in an otherwise encouraging industrial prospect.

There is no doubt that a very heavy weight of money is still available for investment. New share offers continue to be very heavily oversubscribed.

One of the most interesting movements in the market is the belated return of interest to oil shares. The Royal Dutch Shell group recently showed a sound expansion in third quarter sales and earnings and American estimates of world oil demand suggest that consumption may now increase more rapidly than in the past two years.

In any growth industry there are inevitably periods during which growth outstrips demand and the oil industry has been suffering from such a combination of factors. It is too early as yet to suggest that improved demand will warrant the reopening of currently shut-in production capacity and, in fact, such an event would seem to be unlikely in the short term. There is, however, a reasonable basis for the assumption that the industry is moving out of its over-supply position.

RATES AND PRICES

Closing prices, Wednesday, December 2nd, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Sept. 25	£3 9*s* 5·24*d*%	Oct. 30	£3 7*s* 8·53*d*%
Oct. 2	£3 9*s* 10·4*d*%	Nov. 6	£3 7*s* 4·62*d*%
Oct. 9	£3 8*s* 9*d*%	Nov. 13	£3 7*s* 9·55*d*%
Oct. 16	£3 8*s* 4·91*d*%	Nov. 20	£3 7*s* 11·96*d*%
Oct. 23	£3 8*s* 6·74*d*%	Nov. 27	£3 7*s* 11·95*d*%

Money Rates

Day to day	2–3⅛%	*Bank Bills*	
7 days	3–3⅛%	2 months	3½–3$\frac{9}{16}$%
Fine Trade Bills		3 months	3½–3$\frac{9}{16}$%
3 months	4¼–5%	4 months	3½–3$\frac{9}{16}$%
4 months	4¼–5%	6 months	3½–3⅝%
6 months	4½–5%		

Foreign Exchanges

New York	2·79⅞–·80	Frankfurt	11·67½–¾
Montreal	2·66½–¾	Milan	1737⅜–⅝
Amsterdam	10·57⅛–⅜	Oslo	19·99¾–20·00
Brussels	140·00¾–·01¼	Paris	13·73¾–·74
Copenhagen	19·32⅝–¾	Zürich	12·15⅝–⅞

Gilt-edged

Consols 2½%	51⅛	Funding 4% 60–90	94⅞
Consols 4%	76$\frac{11}{16}$	Savings 2½% 64–67	85¾
War Loan 3½%	66½	Savings 3% 55–65	92⅜
Conversion 3½%	66$\frac{13}{16}$	Savings 3% 60–70	84$\frac{3}{16}$
Conversion 3½% 1969	90$\frac{1}{16}$	Savings 3% 65–75	78$\frac{9}{16}$
Exchequer 5½% 1966	104$\frac{11}{16}$	Treasury 2½%	49½
Funding 3% 66–68	87⅛	Treasury 3½% 77–80	80
Funding 3% 59–69	85⅝	Treasury 3½% 79–81	80¼
Funding 3½% 99–04	74⅝	Victory 4%	96½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Aiding Efficient Management

SIR, – Many thanks from at least one reader for the article on 'Exponential Smoothing' in your November 14th issue.

The application of statistical techniques to problems of significance testing and of choice and decision-making (critical problems of management), is taught at a single post-graduate school in this country. Significantly, in a department of engineering production. Apt comment on the awareness of accountants of these problems.

One swallow may not make a summer, but at least your publication of this article may suggest to some that there is more to constructive management accounting thought than is required for the routine preparation of lots of variance statements.

Yours faithfully,

M. BUD, *Secretary*,

ENGLISH NUMBERING MACHINES LTD.

Enfield, Middlesex.

Measurement and Utilization of Capital

SIR, – Dr J. M. S. Risk is to be congratulated on his paper entitled 'The Measurement and Utilization of Capital Employed' which appeared in *The Accountant* of October 24th and 31st. The issues raised are most interesting and thought-provoking and it is evident that Dr Risk has done a great deal of research.

No one can seriously cavil at the measurement of efficiency (i.e. the ratio of profit to net assets) being computed on the basis of actual costs – despite the body of opinion to the contrary, including the official publication entitled *The Planning and Measurement of Profit* prepared by the Technical Research Committee of The Association of Certified and Corporate Accountants. Calculating depreciation on the basis of replacement cost in order to arrive at a more realistic concept of actual cost is one thing – showing the assets at replacement or other inflated values in order to determine the return on the investment is something else again.

I cannot agree, however, that debentures, mortgages, overdrafts and other interest-bearing methods of financing should be ignored when computing the net assets – with the interest paid thereon written back – i.e. added to the profit. The method of financing a business calls for efficiency of a very high order, as it is – or should be – the object of top management to obtain the highest possible return on the least possible investment *qua* investment. (Hence the spate of take-over bids.)

If a company wishes to expand (assuming that there is a profitable market to exploit) and the directors take the line of least resistance by issuing further shares – instead of debentures or obtaining an overdraft or loan – then the return will *in fact* be much less on the money invested by the shareholders than if debentures or loans had been resorted to. Yet Dr Risk would equate these two returns by adding the loans to the equity and eliminating the interest paid thereon.

The acid test of efficiency has always been – and will continue to be – the return on shareholders' funds or equity. By international definition, the equity and the net assets are synonymous.

Yours faithfully,
FREDERICK G. BEARD.

Johannesburg.

Salaries in the Profession

SIR, – It seems clear that the letter from Mr Bertram Smith in your issue of October 31st has aroused considerable interest.

From our own discussions with other accountants in practice we are convinced that the problem referred to is a serious and urgent one, and that the question of finance is by far the largest factor which influences employees in their decision to leave the practising accountant's office for industrial posts. We agree with Mr Ruston (November 14th issue) in his view that this problem is one to be dealt with by the profession as a whole, and by the Institutes and the Association.

We feel it is a great pity that registration of our profession has not yet been achieved, although registration in itself would not solve all the problems. If an attempt were made to fix a scale of fees, difficulties would arise owing to the diverse nature of the services we render to clients, and to the fact that it would still be left to the practising member's own discretion as to the amount of detail work to be carried out, and therefore as to the time to be spent on work.

Nevertheless we think that these difficulties will have to be faced sooner or later, otherwise the whole future of the smaller provincial firms may be prejudiced. We know that many practitioners feel that they spend considerable time in training future chartered accountants, only to lose them to industry as soon as they have qualified. The number of vacancies for audit staff advertised in *The Accountant* and in local papers is an eloquent testimony to this fact.

Faced with these difficulties of attracting and retaining experienced staff, many practitioners find that the only remedy is, as Mr Ruston states, to do more and more work outside office hours. In these circumstances, there is a danger of principals having to spend too much time on routine and detail work, thus leaving themselves insufficient time to devote to more important matters (besides having to keep their professional reading and knowledge up to date). In this state of affairs a principal cannot, in the long run, be in a position to give his best services in his clients' interests.

This problem is a very real one, and affects the standing of our profession as a whole; it would be very interesting to have yet other readers' views on it.

Yours faithfully,
WEST RIDING.
(The *nom de plume* of a firm of chartered accountants).

Calendar Variances

SIR, – I was delighted to see that as a result of the recent correspondence upon calendar variances, Mr Woodward (November 28th issue) laid such emphasis upon the need for top management and accountants to be educated away from such variances. I would remind your readers that the prime object of presenting variance information is to get management action which will control the performance and cost of a business organization; the presentation of information on calendar variances never had this effect. I would suggest that a calendar variance is an accounting anomaly and has no place in an effective management accounting system.

Yours faithfully,
J. E. SMITH,
Assistant Secretary,
THE BRITISH HEAT-RESISTING GLASS CO LTD.

Bilston, Staffs.

Wholesale Grocers' Profit

SIR, – We should be glad to have your readers' views as to what could be considered a reasonable rate of gross profit on turnover as regards the business of wholesale grocers having a turnover of £600,000.

Yours faithfully,
INQUIRERS.

For Students

COST ACCOUNTING

Practical Problem

A factory makes two types of articles, X and Y, which are subjected to two processes, factory and finishing.

Data supplied *re* processes:

(1) similar materials are used in each article, the raw material cost being the same;

(2) labour costs are recovered separately;

(3) general charges are apportioned in ratio of labour charges for each process.

For the month of July the information supplied to the costing office consisted of:

	Articles X	*Articles* Y
Output	5,000	1,000
Selling price per article	£12 10s 0d	£8 12s 6d
Production costs:	*Processes* *Factory*	*Processes* *Finishing*
Materials:	£	£
Purchased	15,000	3,500
Stocks: opening	5,000	1,500
closing	8,000	2,000
Labour:		
X	9,000	3,750
Y	1,000	1,250
General charges	5,000	2,000

Prepare a statement disclosing the process cost for each type of article and also the percentage of profit thereon.

PROCESS COST STATEMENT FOR THE MONTH OF JULY........

FACTORY PROCESS

		Articles			
		X Total output Cost: 5,000 articles	Cost per article	Y Total output cost: 1,000 articles	Cost per article
Materials consumed:	£	£	£	£	£
Opening stock ..	5,000				
Purchases ..	15,000				
	20,000				
Less Closing stock	8,000				
Apportion 5,000: 1,000 ..	£12,000	10,000	2·0	2,000	2·0
Labour		9,000	1·8	1,000	1·0
General charges: Apportion 9,000: 1,000	£5,000	4,500	·9	500	·5
Transfer to finishing process		£23,500	£4·7	£3,500	£3·5

FINISHING PROCESS

		Articles			
		X Total output cost: 5,000 articles	Cost per article	Y Total output cost: 1,000 articles	Cost per article
Transfer from factory process:	£	£	£	£	£
Materials Consumed ..		23,500	4·7	3,500	3·5
Opening stock ..	1,500				
Purchases ..	3,500				
	5,000				
Less Closing stock	2,000				
Apportion 5,000: 1,000	£3,000	2,500	·5	500	·5
Labour		3,750	·75	1,250	1·25
General charges: Apportion 3,750: 1,250	£2,000	1,500	·3	500	·5
Total Cost ..		£31,250	£6·25	£5,750	£5·75

PROFIT PER ARTICLE

	X £	X s	X d	Y £	Y s	Y d
Selling price per article	12	10	0	8	12	6
Total cost per article: As per process costing statement ..	6	5	0	5	15	0
Profit per article	£6	5	0	£2	17	6
Percentage of profit on selling price	50%			33⅓%		

AUDITING

Practical Problem

Question

In a manufacturing business which employs a costing system, it is proposed by the directors to use the 'book stock' for balance sheet purposes, instead of a detailed enumeration of stock on the premises at the balance sheet date.

(1) Describe the precautions and confirmations you would:

(*a*) require to be incorporated in the system;

(*b*) apply as auditor.

(2) Describe briefly the procedure the auditor would adopt to verify the valuation of work in progress, which has been made by the directors at the balance sheet date.

Answer

(1) (*a*) In order that the 'book stock' may be used for balance sheet purposes, the following precautions and confirmations should be incorporated in the system:

The maintenance of an adequate system of stores and stock records and controls should be in operation comprising:

(i) Stores and stock ledgers, containing accounts for each class of raw material and finished product, in which quantities and values of all goods received and issued are recorded;

(ii) Bin cards, giving similar information, but in quantities only;

(iii) Stores and stock ledger control accounts, for the purpose of proving the accuracy of the balances on the stores and stock ledger accounts, and disclosing

the total book value of stores and stocks on hand at any time;

(iv) Adequate control over the receipt and issue of raw materials to production should be imposed. The storesmen are responsible for the storing of goods and issues to production. At frequent intervals, an independent official should compare the bin cards with the stores and stock ledger accounts and the physical stocks with the balances shown thereon.

(*b*) In order to satisfy himself that the balances disclosed by the stores ledger may be taken as a reliable indication of the actual stocks in hand at the date of the balance sheet, the auditor should impose the following tests:

(i) Ascertain that all liabilities to trade creditors have been included in the balance sheet and that all materials in stock have been passed through the purchases account. For this purpose, vouch the creditors' statements to the schedule of bought ledger balances; examine the invoices of the succeeding period noting the dates; check cash paid in the succeeding period with the outstanding creditors; check the goods inwards book with the purchases day-book and stores records for the last month of the financial period;

(ii) Reconcile the total purchases, as shown by the financial books, with the total recorded by the stores inwards book or the total debited to the stores ledger control account;

(iii) Test the stores outwards book with material requisitions;

(iv) Test the postings from the stores inwards and outwards books to the stores ledger and from production accounts to the finished goods account;

(v) Test the goods outwards books with the sales day-book to ensure that goods sold but not delivered at the date of the balance sheet are not included in stock;

(vi) Check the schedule of stores and stock ledger balances with the ledger accounts. Compare the balances with the stock sheets of previous years and ascertain reasons for any large increase or decrease in the stock of any specific class of goods;

(vii) Check all entries in the cost ledger relating to the stores and stock ledger control accounts;

(viii) Ensure that proper adjustments have been made for normal wastage in store, breaking bulk, etc.;

(ix) As the book balances will be a cost, test the prices of all important stocks with current invoices from suppliers, price lists, catalogues or other evidence of market prices at the date of the balance sheet. For balance sheet purposes, stock should be valued at cost or market value, whichever is the lower. It should be seen that any old, damaged or obsolete stocks are written down;

(x) Check the stock records of a representative number of commodities up to the date of the audit and compare the balances with those revealed by physical stocktaking;

(xi) Obtain a certificate from a responsible official confirming the value of the stock.

Where the above tests reveal that the stores records are kept satisfactorily and no undue discrepancies are revealed by the physical tests, the auditor may accept the stock valuation without qualifying his report. A prudent course, however, might be to state in his report: 'In the absence of physical inventories, I have accepted the company's stores records as evidence of stocks of raw materials'.

(2) The procedure the auditor would adopt to verify the valuation of work in progress is as follows:

(i) Test the allocation of materials and wages and the proportion of overhead expenses included in the valuation;

(ii) Compare the total value of work in progress and the basis of valuation with that of the previous year and inquire into any material variations;

(iii) Consider the quantity of work in progress in the light of:

(*a*) the time involved in manufacturing finished articles; and

(*b*) the normal output.

E.D.P. AND THE CHARTERED ACCOUNTANT

SCOTTISH INSTITUTE'S DINNER IN GLASGOW

New developments in the field of electronic data-processing are not a substitute for judgment, leadership and enterprise, said Mr Thomas Lister, M.A., C.A., President of The Institute of Chartered Accountants of Scotland, when he presided on Monday at a dinner of the Scottish Institute held in *The Central Hotel*, Glasgow.

'It is nearly fifty years since I entered the accountancy profession as an apprentice in Edinburgh,' he said. 'At that time it was usual for the instinct for orderliness and balance to be satisfied by the making of handwritten entries in large and stoutly bound cash-books, journals and ledgers.

'Loose-leaf books and then cards gradually took the place of bound ledgers, handwriting gave way to type-writing and then to the punching of holes, and now double-entry book-keeping is becoming a matter of electronic valves and magnetic dots.

'In spite of these changes, the Companies Act still requires the auditors to report whether proper books of account have been kept, so far as appears from their examination of those books.'

Turning to Lord Kilbrandon, a judge of the Scottish High Court, Mr Lister continued:

'You, Lord Kilbrandon, may some day be called upon to decide whether the magic box and its valves, transistors and dots and tapes are books of account. With respect, I have little doubt you will hold that they are.

'I shall not bore you, gentlemen, by discussing what tools the auditors of tomorrow will need in place of their coloured pens and pencils to make their examination of the new style books.

'Perhaps, however, you feel that, while the process of satisfying an instinct for orderliness and balance may or may not prove delightful, it is unlikely to become tedious for some time to come, whatever one's taste in "hardware", as the E.D.P. merchants call their gadgets.

'Electronic data-processing may be used to speed up book-keeping or to produce management information that could not be obtained in any other way at a tolerable cost.

'It can, however, only be an aid to management, not a substitute for the judgment, leadership and enterprise on which the success of an undertaking will still largely depend.

'I see no reason, therefore, to fear that either our members or their guests will be made redundant by these new developments.

Professional Mysteries

Proposing the toast of 'The Institute of Chartered Accountants of Scotland', Lord Kilbrandon said:

'Like the law, you have your professional mysteries which the public cannot be expected to understand.

'For example, in the law, we are always being asked "How can you defend somebody when you know that they are guilty?"

'As a matter of fact that is not such a silly question as lawyers pretend it is, and the answer is not as easy as lawyers try to make out.

'But one of your mysteries is the take-over bid.

'I read in the newspapers the other day of a company where a take-over bid had been made.

'The chairman gave information to dissuade the shareholders from accepting this offer. He drew their attention to the fact that the assets in the balance sheet were £2 million but were worth, in fact, £4 million.

'I cannot remember the name of the company, but I am able to quote from the auditor's docket, which says: "In view the balance sheet gives a true and accurate account of the assets of the company." (*Laughter.*)

'It may be that you have your little mysteries which you find it equally difficult to explain.' (*Renewed laughter.*)

Lord Kilbrandon said there was a saying in the legal profession that a man who acted as his own lawyer had a fool for a client, and he considered that, in the same way, anybody who prepared his own income tax returns was a public benefactor. He added: 'I am not a public benefactor, and I therefore retain a chartered accountant to do that sort of thing for me.' (*Applause.*)

The toast of the 'City of Glasgow' was proposed by Lord Ebbisham, T.D., M.A., President of the London Chamber of Commerce, who said:

'I personally have always moved in awe of chartered accountants and it is therefore with some amazement that I find I have the courage, or perhaps it is foolhardiness, to attempt this task in the presence of so many Scottish chartered accountants.'

An Early Free Trade Area

Lord Ebbisham said he had no doubt they would all be fully expert on free trade areas, rules of origin, sensitive industries and 'all the other trappings of "the six" and "the seven" which make up the European economic scene'. He added:

'It may, therefore, not be amiss for me, an Englishman, to remind you that some of Glasgow's early greatness sprang from a free trade area – the free trade area of England and Scotland resulting from the Act of Union in 1707 and the throwing open to Scottish enterprise of the English colonies in North America.

'It was, I gather, the access that your forbears in Glasgow were given to Virginia and the other English colonies in North America which led to the early growth of the tobacco trade of Glasgow.'

In the course of his reply, the Lord Provost of Glasgow, Mr Myer Galpern, J.P., F.E.I.S., M.P., said that whether Manchester, Liverpool or any other English city – even London – was trying to establish a claim that they had precedence over Glasgow, he would remind them of the fact that without Glasgow's export of chartered accountants to all these cities they would be still in 'a rural condition'. Glasgow had produced no fewer than 6,000 chartered accountants.

The toast of 'Our Guests' was proposed by Mr Alexander McKellar, C.A., Vice-President of the Institute, and the reply was by Mr D. McC. Watson, F.C.A., President of The Institute of Chartered Accountants in Ireland.'

The toast of 'The President' was proposed by Sir John Somerville, F.R.S.E., C.A., a Past President of the Institute.

The Company

Among the members and guests present were:

Messrs C. U. Peat, M.C., M.A., F.C.A. (*President, The Institute of Chartered Accountants in England and Wales*); H. Yates (*Dean of Guild, the City of Glasgow*); G. I. Stewart, C.B.E., M.C., C.A. (*a Past President of the Institute*); The Rev. A. Neville Davidson, M.A., D.D., J.P., CH.ST.J. (*Minister of Glasgow Cathedral*); Messrs James T. Dowling, C.A., (*a Past President of the Institute*); G. B. Esslemont, J.P., M.A., LL.B., B.COM., C.A., F.I.M.T.A. (*President, The Institute of Municipal Treasurers and Accountants*); Arthur H. Jacobs, F.R.F.P.S. (GL.) (*Dean, The Royal Faculty of Physicians and Surgeons, Glasgow*); E. Emmerson, A.C.A., F.C.W.A. (*President, The Institute of Cost and Works Accountants*); A. R. McFadyen, (*Dean, The Royal Faculty of Procurators in Glasgow*); K. K. Weatherhead, F.F.A., F.S.A. (*Chairman, Associated Scottish Life Offices*); James Holburn, M.A. (*Editor, 'The Glasgow Herald'*); W. A. Nicol, C.A., F.C.C.S. (*Chairman, The Association of Scottish Chartered Accountants in the Midlands*); Sir Robert H. Sherwood Calver, Q.C. (*Sheriff of Lanarkshire*); Sir William S. Murrie, K.B.E., C.B. (*Permanent Under-Secretary of State for Scotland*); Sir Ian F. C. Bolton, Bt., K.B.E., H.M., LL.D., J.P., C.A. (*a Past President of the Institute*); Sir Thomas B. Robson, M.B.E., M.A., F.C.A. (*a Past President, The Institute of Chartered Accountants in England and Wales*); Sir John Anderson, K.B.E., C.B. (*Secretary, Scottish Home Department*); Messrs W. I. French, D.S.O., O.B.E., T.D., C.A. (*President, The Chamber of Commerce, Glasgow*); A. R. Reid, M.A., F.F.A., F.I.A. (*President, The Faculty of Actuaries in Scotland*); David Alexander (*President, The Institute of Bankers in Scotland*); George Stevenson, T.D. (*Chairman, The Stock Exchange, Glasgow*); J. E. Harris, B.COM., F.A.C.C.A. (*Vice-President, The Association of Certified and Corporate Accountants*); H. P. McMaster (*Chairman, The Stock Exchange, Edinburgh*); Professor J. M. Halliday, M.A., LL.B. (*Dean of the Faculty of Law, The University of Glasgow*); Professor Thomas Wilson, M.A., PH.D. (*Professor of Political Economy, The University of Glasgow*); Professor D. S. Anderson, M.A., C.A., (*Professor of Accounting and Business Method, The University of Edinburgh*); Messrs A. Stewart, C.B.E. (*Controller, B.B.C. (Scotland)*); E. H. V. McDougall (*Secretary of the Institute*); Derek du Pré (*Secretary, The Institute of Cost and Works Accountants*); L. F. Cheyney, F.I.M.T.A., F.S.A.A. (*Secretary, The Institute of Municipal Treasurers and Accountants*); G. E. Cameron, F.C.A. (*Vice-President, The Institute of Chartered Accountants in Ireland*); Professor Robert Browning, M.A., LL.B., C.A. (*Professor of Accountancy, The University of Glasgow*); Mr H. Barton, C.B.E. (*Solicitor of Inland Revenue (Scotland)*); Professor A. D. Campbell, M.A. (*Professor of Applied Economics, The University of St Andrews*); Messrs James Walker, C.B.E., C.A., F.C.A. (*Immediate Past President, The Institute of Chartered Accountants in Ireland*); Alan S. MacIver, M.C., B.A. (*Secretary, The Institute of Chartered Accountants in England and Wales*); W. Stuart Orr, B.A., LL.B., A.C.A. (*Secretary, The Institute of Chartered Accountants in Ireland*).

PLACE OF THE ARTICLED CLERK

LIVERPOOL CHARTERED ACCOUNTANTS' DINNER

A total of 534 members and guests were present at the annual dinner of the Liverpool Society of Chartered Accountants held at *The Adelphi Hotel*, Liverpool, on November 27th.

Mr C. J. Peyton, A.C.A., President of the Society was in the chair, and among those present were Mr John L. Postlethwaite, B.ENG., F.R.I.C.S., President of the Royal Institution of Chartered Surveyors; the Right Honourable the Lord Cohen of Birkenhead, P.R.S.H., M.D., D.SC., LL.D., F.R.C.P.; Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales; Mr L. G. T. Farmer, A.C.A., President of the Birmingham Chamber of Commerce; Alderman Herbert N. Bewley, C.B.E., Lord Mayor of Liverpool, and

Mr John Ainsworth, M.B.E., M.COM., F.S.A.A., F.I.M.T.A. (*City Treasurer of Liverpool*); Brigadier C. C. Parkman, O.B.E., J.P., M.I.C.E. (*Chairman, Incorporated Chamber of Commerce of Liverpool*); Messrs A. S. MacIver, M.C., B.A. (*Secretary of the Institute*); G. N. Dixon (*President, Liverpool and District Bankers' Institute*); James E. Hadfield, J.P. (*President, Incorporated Law Society of Liverpool*); J. A. Murray, T.D., B.COM., A.C.A., F.C.I.S., F.C.W.A. (*Chairman, Liverpool and District Branch, Chartered Institute of Secretaries*); J. R. Biglands, J.P., F.C.I.I., A.C.I.S. (*President, Insurance Institute of Liverpool*); J. B. Charnock, F.C.W.A. (*President, Liverpool Branch, Institute of Cost and Works Accountants*); R. M. Synge, M.C. (*Chairman, Liverpool Stock Exchange*); Bertram Nelson, C.B.E., J.P., F.C.A. (*a Member of the Council of the Institute*); R. H. Keen (*H.M. Principal Inspector of Taxes*); A. G. Jeans (*Managing Director and Editor-in-Chief, 'Liverpool Daily Post and Echo' Ltd*); A. D. Walker, J.P., F.C.A. (*a Member of the Council of the Institute*); P. Johnson, J.P., F.R.I.C.S., F.A.I. (*Chairman, Chartered Auctioneers and Estate Agents' Institute (Liverpool and District and North Wales Branch)*); G. F. Saunders, J.P., F.C.A. (*a Member of the Council of the Institute*).

Spirit of Voluntary Service

Proposing the toast, 'The Institute of Chartered Accountants in England and Wales', Lord Cohen spoke of the need to extend voluntary service. 'Institutions such as that of the accountants have been in existence in one form or another, since the thirteenth or fourteenth centuries, and what has maintained them has been the spirit of voluntary service by members to their own craft,' he said.

Lord Cohen paid a tribute to Mr Peat and said that Dr Samuel Johnson once said that one should never speak of a man in his presence – it was always indelicate and might be offensive. But Dr Johnson did not know Mr Peat. He was not only an ornament to his profession but was a striking example of one who had given great service to his country in Parliament and elsewhere.

He went on to say that to be in a profession seemed to him to be an indication of competence in a particular field – an integrity of action within that field and freedom to practice within that field. As professional men, they must remember that their remuneration was not measured solely in terms of financial return. It was true they must have proper living standards, but unless they felt that the work they were doing was rewarding in itself, the sooner they left it and turned to trade, business or some other activity, the better.

In his response to the toast, Mr Peat said:

'May I say what a great pleasure it is to see Mr George Saunders back with us at this delightful function. We have all heard with sympathy of his illness and are rejoiced that he has reached that measure of recovery which makes it possible for him to be with us tonight.'

Mr Peat then thanked Mr C. J. Peyton, the President of the Society, Mr S. Morris, the Hon. Secretary, and Mr K. Duncan, the Hon. Dinner Secretary, for their magnificent arrangements for the dinner. He also thanked Mr J. S. Ellison, the President of the Students' Society, and Mr M. R. T. Sills, the Hon. Secretary, for the arrangements they had made for him to meet almost a record number of students and said how much he had enjoyed a most successful meeting. The President added that he also wished to say how glad he was to welcome back Mr MacIver after his visit to America, where, with Mrs MacIver, he had been a wonderful ambassador for the Institute.

Recruitment to the Profession

Mr Peat went on to refer to recruitment to the profession and said:

'Industry, science and the professions are competing with each other for the brighter boys and girls, the attractions offered are all material; high salaries and security after retirement. In our profession of accountancy, we have the system of training under articles, which demands that close personal contact between principal and clerk. I appreciate that this contact, in some ways and in some circumstances has to be delegated, but the real core of the relationship should never be lost.

'I have been reading many letters in *The Times* about "What's all right for Jack" discussing the correct relationship between management and men in industry. For us, as a profession, there can be no question of the hard materialistic approach; an articled clerk should be treated as someone to whom his principal has the closest and most important obligations, his confidence and affection should be won. This ideal may raise a laugh and be regarded as impracticable.

'I am afraid in many cases we have forgotten the early conception of clerkship, and the close ties which existed between the clerk and his principal, but unless we can re-establish something of the old intimate association, I believe the whole fabric of recruitment to our profession will be endangered.

'With regard to the unqualified members of our staffs, other than the articled clerks, the problem of the dead-end job is always with us, and it is a problem we have got to face with sympathy and imagination. There are many suggestions but very few practical solutions. Your Society is trying out the qualification of a certificate of proficiency given by the Liverpool College of Commerce.

'There is also the suggestion of registration of the profession which might be a palliative, but not a cure. In any event what we must try and do is to gather up these people who do a very necessary but not a highly technical job of work, and see that they get some distinguishing diploma indicating their useful and essential qualifications.'

The Lord Mayor of Liverpool replied to the toast of 'The City and Trade of Liverpool', proposed by Mr Postlethwaite, and the toast of 'Our Guests', proposed by Mr Peyton, was responded to by Mr Farmer.

Certified Accountants' Dinner and Dance

Notes and Notices

PERSONAL

MESSRS ANDREAE & FINGLAND, Chartered Accountants, announce that they have changed their address from 91½ Harbour Street, Kingston, Jamaica, to Bank of London and Montreal Chambers, 113 Harbour Street, Kingston. Telephone: 26191.

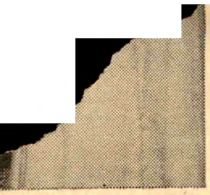
MESSRS WALLACE CASH & Co, Chart
ants, and Messrs MASON MARKS
Accountants, both of 11 Stanh
London, W1, announce tha
1959, they have amalgamate
Mr SIDNEY MASON MAR
partner in the firm of WAL
announce that Mr W
a partner in the
October 1st
the pa

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Annual Dinner and Dance

The President of The Association of Certified and Corporate Accountants, Mr William Jackson, F.A.C.C.A., with Mrs Jackson, presided over a company of over 500 members and guests at the annual dinner and dance of the Association held at *Grosvenor House*, Park Lane, London, on Monday evening.

Among those present were the Rt. Rev. and Rt. Hon. Henry Montgomery Campbell, M.C., D.D., Lord Bishop of London, and Miss Montgomery Campbell; Mr John Rodgers, M.P., Parliamentary Secretary, Board of Trade, and Mrs Rodgers; The Rt. Hon. Lord Denning, Lord of Appeal in Ordinary, and Lady Denning; The Rt. Hon. Sir Reginald Manningham-
uller, Q.C., M.P., Attorney-General, and the Lady
Manningham-Buller; Mr S. J. Pears, F.C.A.,
sident of The Institute of Chartered Ac-
n England and Wales and Mrs Pears; and
Andrew, C.B. (*Second Secretary, Board of*
drew; Mr Sidney L. Barton, J.P. (*The*



Left: Mr William Jackson, F.A.C.C.A., President of The Association of Certified and Corporate Accountants, and Mrs Jackson, welcoming Sir Edward and Lady Norman at *Grosvenor House*, London, last Monday evening.

Above: Lord and Lady Latham being received by the President and Mrs Jackson.

At the top table (*left to right*): The Lord Bishop of London, the President, Viscount Brentford, Viscountess Brentford, Mr Sidney J. Barton, J.P., Chairman, London County Council. A list of the official guests appears on the next page.

...ISON, SON, HILL & Co. ... ceased to be ...
...tants, of Charter House, 52 Glou... Co.,
London, W1, announce that Mr MICHAEL L. HARRIS, A.C.A., retired from the practice on October 31st, 1959.

PROFESSIONAL NOTES

Mr A. G. Andrews, A.C.A., secretary of the Monroe Calculating Machine Co Ltd, has been appointed a director of the company.

Mr N. E. Fullwood, A.C.A., secretary and chief accountant of Cawood Wharton & Co Ltd, has been appointed a director of the company.

Mr F. A. Ross, A.C.A., secretary of Edgar Allen & Co Ltd, has been appointed a director of the company.

Mr L. A. Hygate, A.C.A., secretary of Erinoid Ltd, has been appointed a director of the company and general manager of the company's Stroud factory.

Mr F. S. Woodward, C.A., has been appointed secretary of the Consett Iron Co Ltd as from December 1st.

Mr W. B. Lindley, F.C.A., has been appointed a director of Land & General Developments Ltd.

Mr P. Edge-Partington, F.C.A., has been appointed to the board of Druce & Co Ltd.

Mr Arthur L. Blower, F.C.A., has been appointed deputy chairman of the South Staffordshire Building Society.

In the notice of the appointment of Mr David A. De Saxe, A.C.A., as a director of Wrensons Stores Ltd in the November 21st issue, it is regretted that Mr De Saxe's name was wrongly spelt.

...on B...
Mary ...
Vice-Pres...
countants ...

Mr G. H. ...
Trade) and Mrs ...
Rt. Hon. The Chairman of the ...
Mrs Barton; Mr R. P. Baulkwill, C.B.E. (*The Pub*...
Professor W. T. Baxter (*Professor of Accountancy, Univer-sity of London*) and Mrs Baxter; Mr S. J. D. Berger, O.B.E., M.C., and Mrs Berger; Mr L. Bloomfield, O.B.E. (*President, The National Chamber of Trade*) and Mrs Bloomfield; The Rt. Hon. The Viscount Brentford and Viscountess Brentford; Sir Cecil Crabbe (*Chief Registrar of Friendly Societies*) and Lady Crabbe; The Lord Dovercourt and Lady Dovercourt; Mr H. Eason (*Secretary, The Institute of Bankers*) and Mrs Eason; Mr E. D. Foster (*Editor, 'The Director'*) and Mrs Foster; Mr C. G. Garratt-Holden, C.B.E., T.D. (*Secretary, The Building Societies Association*) and Mrs Garratt-Holden; Mr J. W. Hough, O.B.E. (*Immediate Past President, The Institute of Municipal Treasurers and Accountants*) and Mrs Hough; Mr Percy F. Hughes (*Editor, 'Taxation'*) and Mrs Hughes; Air Chief Marshal Sir Ronald Ivelaw-Chapman, G.C.B., K.B.E., D.F.C., A.F.C., and Lady Ivelaw-Chapman; Sir Alexander Johnston, K.B.E., C.B. (*Chairman, Board of Inland Revenue*) and Lady Johnston; The Lord Latham, J.P. (*Member of Council*) and Lady Latham; Mr J. C. Latham, D.L. (*Director of the Association*) and Mrs Latham; Mr E. W. C. Lewis (*Deputy Controller, Estate Duty Office*) and Mrs Lewis; Mr M. A. Liddell and Mrs Liddell; Sir Sydney Littlewood (*President, The Law Society*) and Lady Littlewood; Mr Ernest Long (*President Elect, The Chartered Institute of Secretaries*) and Mrs Long; Mr T. W. Macdonald (*The Institute of Chartered Accountants of Scotland*) and Mrs Macdonald; Dr A. J. McIntosh (*Director, City of London College*) and Mrs McIntosh; Mr P. J. Mantle, C.M.G. (*Assistant Secretary, Board of Trade*) and Mrs Mantle; Mr E. H. S. Marker, C.B., and Mrs Marker; Mr T. S. Martin and Mrs Martin; Mr Alexander

Meikle (*Chairman, The Building Societies Association*) and Mrs Meikle; Mr A. C. S. Meynell (*Immediate Past President of the Association*) and Mrs Meynell; Mr C. D. Morley (*Secretary, The Stock Exchange*) and Mrs Morley; Sir Edward Norman (*Chief Inspector of Taxes*) and Lady Norman; Sir Charles Norton, M.B.E., M.C., and Lady Norton; Mr F. Cameron Osbourn, M.B.E. (*Secretary of the Association*) and Mrs Cameron Osbourn; Mr J. F. Phillips, O.B.E. (*Secretary, The Chartered Institute of Secretaries*) and Mrs Phillips; Sir Harry Pilkington; Mr F. M. Redington (*President, The Institute of Actuaries*) and Mrs Redington; Mr W. S. Risk (*Vice-President, The Institute of Cost and Works Accountants*) and Mrs Risk; Mr John Ryan, C.B.E., M.C. (*Vice-Chairman, British Institute of Management*) and Mrs Ryan; Mr R. L. Sich, C.B. (*Registrar of Restrictive Trading Agreements*) and Mrs Sich; Mr R. J. W. Stacy, C.B. (*Under-Secretary, Board of Trade*) and Mrs Stacy; Mr Geoffrey Stevens, M.P., and Mrs Stevens; Major Denis Thatcher, M.B.E., and Mrs Margaret Thatcher, M.P.; Mr Ronald Ward (*President, The Institute of Arbitrators*) and Mrs Ward; Mr Arthur E. Webb (*Editor, 'The Accountant'*) and Mrs Webb; Alderman Sir Frederick Wells, Bt.; Mr A. L. A. West, O.B.E. (*Vice-President, The Institute of Municipal Treasurers and Accountants*) and Mrs West; Mrs J. H. Wilding; Mr C. Reginald Willis (*Editor, 'Evening News'*) and Mrs Willis; Alderman F. Wilson, O.B.E., J.P. (*Member of Council*); Sir Richard Yeabsley, C.B.E., and Lady Yeabsley.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Techniques of Management Accounting

Responding to the toast of 'The Institute of Cost and Works Accountants' at the annual dinner and dance of the Institute's Leicester and District Branch last Tuesday, Mr Edward Emmerson, A.C.A., F.C.W.A., President of the Institute, said that he had recently read statements referring to management accounting as a 'comparatively recent development'. But, he added, the techniques of management accounting had been practised by members long before the subject came to be known by its present title.

After referring to the Institute as being 'the recognized professional and examining body in cost and management accounting', Mr Emmerson continued:

> 'It is necessary that the techniques of cost and management accountancy must be kept constantly under review, as while fundamental principles have not changed, the technique of applying these principles may need to be changed to keep pace with the rapid developments taking place in modern industry.
>
> 'As an Institute we are fully alive to these demands, and the Examination Committee has the syllabus of examinations constantly under review with the object of ensuring that candidates are tested in the practical application of modern methods and are thereby the better fitted to serve industrial managements.'

Mr Emmerson stated that with the increased competition which the United Kingdom is facing from all over the world, and the consequent need for the prices of British industrial products to be kept at a level to meet this competition, there was a wide field of opportunity for members to serve management by providing information for the control, reduction, and ultimately the elimination of waste.

IN PARLIAMENT

Post-war Credits

MR HUNTER asked the Chancellor of the Exchequer if he will state the amount of post-war credits now repaid, at the latest convenient date, and the amount still owing.

MR AMORY: By October 30th, 1959, about £365 million had been repaid, leaving about £375 million outstanding.

MR KELLEY asked the Chancellor of the Exchequer if he will state the number of persons entitled to post-war credits who are below the appointed age for repayment; and what is the total sum involved.

SIR E. BOYLE: Nearly eleven million, the total sum involved being about £375 million.

Hansard, Nov. 24th, 1959. Written Answers. Col. 24.

Schedule A

MR CLEAVER asked the Chancellor of the Exchequer (1) if he will arrange for a simpler system for claiming allowances for repairs, maintenance, insurance, etc., of property, against Schedule A tax assessment, so as to help the less well off owner-occupier to get full benefit of fair allowances without expert assistance; (2) if he will issue an advisory leaflet to owner-occupiers, advising them on the types of expenditure in respect of which their Schedule A tax assessment can be reduced.

SIR E. BOYLE: The existing claim forms are reasonably simple and contain instructions on how to make the claims. They invite taxpayers who want further information to apply to the Inspector of Taxes. I do not think a special leaflet is called for, but the instructions on the claim form are being amplified in some respects.

Hansard, Nov. 26th, 1959. Written Answers. Col. 51.

Trustee Investments

MR PEYTON asked the Chancellor of the Exchequer if he will introduce legislation to widen the powers and discretion of trustees as regards investments.

MR RIDSDALE asked the Chancellor of the Exchequer when it is intended to introduce further legislation to broaden the basis of trustee investment.

THE ECONOMIC SECRETARY TO THE TREASURY (MR ANTHONY BARBER): A review of the whole question is now well advanced. But this is a subject which affects many interests, and I cannot say with complete certainty when the Government's intentions will be announced. I hope, however, that it will be possible to say something more quite soon.

Hansard, Nov. 26th, 1959. Oral Answers. Col. 549.

BETTING LEVY COMMITTEE

The departmental Committee on a Levy on Betting on Horse Races appointed by the Home Secretary under the chairmanship of Sir Leslie Peppiatt, held its first meeting on Friday of last week. One of the members of the committee of seven is Mr John Corbett, F.C.A., a partner in the firm of Peat, Marwick, Mitchell & Co, Chartered Accountants, of London.

At the first meeting, the committee decided to call for evidence from any persons or organizations with interests in the matter, and asked that correspondence should be addressed to the secretary, Mr D. J. Trevelyan, Home Office, Whitehall, London, SW1.

S.W. LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, next Monday, at 6.45 p.m., when Mr Austen White, A.C.A., A.C.W.A., A.M.I.I.A., will open discussion on the 'Break-even chart'.

CITY DISCUSSION GROUP

A meeting of the Chartered Accountants' City Discussion Group will be held next Wednesday at *The Tiger Inn*, Tower Hill, London, EC3, at 6 for 6.30 p.m.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday: Bedfordshire Branch annual dinner.
Wednesday, at Richmond: Rugby Football *v.* Bristol Students' Society.
Friday, 7 p.m., at Chelmsford: Lecture on 'Consolidated accounts', by Mr R. Glyn Williams, F.C.A., F.T.I.I.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The following meetings of The Accountants' Christian Fellowship will be held next week:

Monday, 6 p.m., in the Vestry at St Mary Woolnoth Church, King William Street, EC3: Meeting for Bible reading and prayer. The scripture will be John, chapter 14, verses 21 to 26 (promises for keeping His commandments).
Tuesday, 6 p.m., in the Oak Hall of the Institute, Moorgate Place, EC2: Address by Mr George Cansdale on 'Does it matter what we believe if we are honest?'

ONE-DAY CONFERENCE IN BIRMINGHAM

A one-day conference of The Birmingham and District Society of Chartered Accountants will be held at Birmingham University on Thursday, December 17th, when Mr J. R. Mead, J.P., F.C.A., will speak on 'Surtax and companies', and Mr B. G. Rose, F.C.A., on 'Some practical aspects of estate duty'.

THE INSTITUTE OF INTERNAL AUDITORS

Birmingham Chapter

A meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held next Thursday at *The Cambridge Inn*, Cambridge Street, Birmingham, at 6 for 6.30 p.m., when Mr A. A. Drewry, of the Dunlop Rubber Co Ltd, will speak on 'O. & M. or internal audit'.

An invitation is extended to interested non-members. The Chapter secretary is Mr G. T. L. Judson, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

Manchester Chapter

'What management expects from internal audit' will be the subject of an address to be given by Mr C. S. Martin, divisional manager of Shell-Mex & B.P. Ltd (North Western Division), at a meeting of the Manchester Chapter to be held at 7 p.m. on December 15th, in The Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2.

The chair will be taken by Mr K. Bradley, President of the Chapter and chief of the internal audit department of Associated Ethyl Ltd, Norwich.

An invitation is extended to interested non-members and further information regarding the activities of the Chapter may be obtained from Mr R. S. Rossiter, divisional internal auditor, Shell-Mex & B.P. Ltd, Shell-B.P. House, 7 Oxford Road, Manchester, 1.

THE ACCOUNTANTS' DIARIES

The Accountants' Diaries for 1960 now on sale contain completely revised information in the desk (foolscap) and pocket diaries. The former, which has three days to a page, includes information dealing with Inland Revenue duties, profits tax, exchange tables, professional fees, limited companies, together with many other sections of professional use. The pocket diary contains similar information as well as London and provincial street maps. In addition there is an octavo desk diary with two days to a page, but without an information section.

The prices of the diaries, and of pocket refills and cases (including postage and purchase tax) are as follows:

No. 3A Desk Diary (foolscap)	19*s*
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CONTENTS

Revenue Appropriation Accounts

A MINOR but interesting facet of the British constitution is the publication each year of appropriation accounts of the sums granted by Parliament for Revenue Departments, together with the report of THE COMPTROLLER AND AUDITOR-GENERAL thereon and upon Revenue and certain store accounts. The three departments are Customs and Excise, Inland Revenue, and the Post Office; and the accounts are all sufficiently detailed to provide a very illuminating side-light on the workings of these departments. Even more illuminating sometimes are the comments of the COMPTROLLER in his report. The accounts and report for the year ended March 31st, 1959, briefly noted in our last issue[1], are no exception.

The report turns the limelight on the practice of those well-to-do taxpayers who take up farming and make heavy losses, which they are able to have set off against their taxed income, so that in effect the general body of taxpayers bears most of the loss. Sometimes the losses are incurred in the course of building up the capital value of the farm by lavish expenditure on buildings and equipment which can be set off, over a ten-year period, against the taxpayer's other income. This expenditure is reflected in the price received for the farm when it is eventually disposed of, but the surplus proceeds on sale of the farm itself are not taxable, except in very unusual cases.

In these circumstances one can expect the Inland Revenue to scrutinize loss relief claims with some care. It is a stock situation in income tax for a man who carries on a quasi-commercial hobby at a loss to have his claim for relief rejected on the ground that there is no genuine trade. In the case of farming, however, the Inland Revenue are hampered by the way the legislation is drafted.

The COMPTROLLER's report points out that Section 124 (1) of the Income Tax Act, 1952, provides that farming and market gardening shall be treated as a trade for tax purposes, and Section 124 (2) provides that the occupation of land for any other purpose shall be so treated if the land is managed on a commercial basis and with a view to the realization of profits. Farming is defined in Section 526 (1) as the occupation of land wholly or mainly for the purpose of husbandry, and market gardening as the occupation of land as a nursery or garden for the sale of the produce.

In their final report of May 1955 the Royal Commission on the Taxation of Profits and Income recommended that the term

[1] H.M.S.O. 2*s* net.

'husbandry' in the statutory definition of 'farmland' and 'farming' should be strengthened by defining it as husbandry 'carried on on a commercial basis and with a view to the realization of profits', with a corresponding amendment of the term 'market garden land'[1]. Nothing, however, has been done about it.

The COMPTROLLER says that test examinations by his officers of repayments of tax suggested that a substantial proportion of the repayments made under Section 341 (setting off of loss against other income) related to farming losses, particularly the repayments made to surtax payers. In a number of cases the losses were of such magnitude in comparison with turnover, and had continued for so long a period, as to raise doubts whether the use of the estate concerned could be properly regarded as farming. The COMPTROLLER therefore inquired whether estimates were available of annual total repayments under Section 341 and of the proportion relating to farming; and also what criterion was used to distinguish lands occupied for genuine farming from those occupied as a hobby.

He was told that for the year ended September 1958 it was estimated that the total amount of income tax discharged or repaid under Section 341 was about £39 million, of which £19½ million related to financial concerns which showed a trading loss but had substantial investment income (dividend stripping?). Of the balance, farming losses of individuals and partnerships accounted for about £5¼ million. No corresponding figures for surtax are available since losses are normally taken into account in computing total income before surtax assessments are made; if claimed later the relief is not distinguished from other adjustments. The total amount of the loss in the year to September 1958 was about £13½ million, but only an examination of each case would reveal how much of this affected surtax and at what rates.

The Inland Revenue said that substantial losses in relation to turnover would not afford an adequate basis for resisting claims that the losses were incurred in farming; the question is whether or not the activities amount to occupation wholly or mainly for the purpose of husbandry, or occupation as a nursery or market garden for the sale of produce. The Courts have given husbandry a very wide meaning – in another context – so that loss relief claims cannot be resisted even though the activities are such as to make losses inevitable. Perhaps now that the COMPTROLLER has raised the matter, the recommendation of the Royal Commission will be adopted.

The report gives the usual statistics relating to investigations into fraud and evasion. The comparative figures of results are as follows:

Year ended March 31st	*Number of cases*	*Total charges raised*	*Penalties included*
		£	£
1959	10,757	18,013,864	6,792,470
1958	14,593	21,529,264	9,495,437
1957	15,511	22,549,246	9,426,295
1956	16,116	22,661,950	8,490,973
1955	19,663	20,587,922	8,420,419
1954	18,144	20,381,870	7,555,342

In addition, local inspectors settled minor cases relating to untaxed interest, allowances, etc., resulting in £828,264 being collected in the most recent year.

The remarkable reduction in penalties to about two-thirds of the previous year's figure is not unconnected with the litigation concerning MR HINCHY, whose name must frequently have been uttered in the confines of Somerset House and in tax offices throughout the kingdom in the past twelve months. It is understood that the Inland Revenue have appealed to the House of Lords from the decision of the Court of Appeal (as reported in *The Accountant* of June 20th, 1959). It is interesting to reflect that one man's resistance to demands for penalties under Section 25 (3) on a small amount of bank interest (or rather the Revenue's insistence on taking him to Court) should have reduced the total collection of penalties by millions.

An eloquent sign of the times is provided by one item of £16 described as '*ex gratia* payment to an officer of the department for television conversion expenses incurred on removal'. Travelling and removal expenses also include an estimated £160 for erroneous reimbursements of television conversion expenses incurred on removal 'through misinterpretation of the regulations'. One wonders what genius so framed the regulations as to make it doubtful whether television conversion expenses were allowable or not.

[1] Cmd. 9474, paragraph 494.

Capital and Revenue Expenditure

by JOHN W. MATTHEWS, B.Sc.(Econ.), A.C.A.
Lecturer, Department of Economics and Political Science,
University of Hong Kong

BUSINESS accountants in general designate as capital expenditure any expenditure which is added to property in an asset account and not charged against current earnings. Non-profit-seeking bodies often classify as capital expenditure all non-recurrent items, if material. Economists, if they use the expression, would wish it to be synonymous with additional investment. The meaning varies according to the context and, while it may not be practicable to try to alter established usage, to expose the ambiguities may enable economists and accountants to work together more fruitfully.

Two Theories of Accounting

There are two opposed theories of accounting, each expounded convincingly by their partisans, which need to be brought face to face. One argues that all expenditure is to be charged against revenue over the period during which the service paid for is enjoyed; the other that the capital is invested in perpetuity and is to be recovered out of earnings by the time the service invested in is exhausted.

The two statements seem, on the face of them, to mean the same; but the first implies accounting on the basis of historical cost, while the second justifies the replacement cost basis. It is submitted that the former notion derives from the older conception of enterprise – separate ventures subscribed for, carried out and wound up – but that the latter is appropriate to the undertakings of the modern world which, like Bernard Shaw's ancients, can only die when they have their accident. Many accountants who favour the replacement cost basis nevertheless, in their book-keeping procedure, follow the logic of the historical cost basis.

When a long-term asset is replaced it is usual to write off the used up asset against the 'depreciation provision' and to capitalize the replacement. As it is financially necessary for the provision to be sufficient to cover the cost of replacement, there is likely to be a balance left on the provision account or in some other account – either expressly (e.g. 'Excess cost of replacement account'), or undifferentiated in, say, 'General reserve account'. In conditions of gradual inflation this will be a credit balance. It does not represent available funds, because the corresponding money has been spent. It is, in fact, the increase in nominal value of the proprietors' interest, the adjustment to current values of part of the capital of the enterprise, and should be transferred to a capital reserve account[1]. If the period of provision has been deflationary there should emerge (in theory) a debit balance, which should be transferred against existing reserves. In either case, the proprietors' interest, to the extent of this particular asset, is adjusted to current values.

The logic of replacement cost accounting demands that the replacement be charged against the provision. The title 'Replacement provision' should be used rather than 'Depreciation provision'; depreciation is a cause, not a purpose. The asset account remains as representing the permanent repository of part of the capital of the undertaking. The value shown in the account should be adjusted to equal the cost of the replacement by a transfer to (or from) capital reserve. The result is the same as before, but the book-keeping is in accordance with the notion of the maintenance of investment or recovery of expended capital; also the need for an 'Excess cost of replacement provision account' is avoided. In the case of circulating assets, of course, the basis followed affects the amount charged against revenue as between one year and another because, under the historical cost basis, excess cost of replacement is not provided for in advance.

'Replacement Cost' Expenditure Classifications

If the replacement cost theory is accepted, all expenditure by a given enterprise may be classified as follows:

(*a*) initial or additional investment;

(*b*) recurrent replacement expenditure, the inci-

[1] Some object to this use of the title 'capital reserve' on the ground that it imposes legal restrictions on the use of the fund, but unless the company's articles contain restrictive wording, this is not the case. The advantage of the term is that it properly describes the nature of the reserve – it has been capitalized in fact, though not allocated to individual proprietors in shares.

dence recurring not less often than once within each accounting period;

(c) replacement expenditure which takes place less often than once in each accounting period, for which anticipatory provision is made by instalments out of previous earnings;

(d) non-recurrent expenditure necessitated by unexpected contingencies; reserves may be available to finance this, or it may be apportioned over subsequent years to spread the load, there being no suggestion that it is relevant to the earnings of any particular period.

The initial investment in a business undertaking consists of investment in:

(1) permanent assets or 'once for all' expenditure, such as freehold property, formation expenses, development expenditure;

(2) non-permanent fixed assets or long-term expenditure;

(3) trading stock;

(4) cash to finance trade debtors and working expenses; this may be more precisely expressed as the first round of credit sales and current outgoings, which are thereafter 'replaced' continuously out of revenue.

All subsequent expenditure except when the scale of the enterprise is increased is replacement expenditure, and the economist would like to have it that none of this is expenditure of capital, or capital expenditure, in a significant sense.

When the scale of the enterprise is enlarged it will be financed, either by additional funds subscribed or borrowed, or by internal resources, i.e. accumulated profits brought forward. The resources may be invested in additional long-term assets and additional working capital, or in the latter only. If a wholesale trader from internal resources doubles the average stock he carries, he is enlarging the scale of his enterprise. He may have employed a methods expert to reorganize his warehouse so that its capacity is doubled, and therefore no additional long-term assets are required; or he may rent additional space and increase his staff, a further increase of working capital. The investigator's fee (which many accountants would not capitalize anyway) and the odd fixture or two may be the only specific items in the records which can be pointed to as related to an increase in the scale of the undertaking. Yet it would be useful to know by how much the capital employed has been increased, and an economist would expect that properly informative records would show this.

Need for Reclassification of Assets

The total of the liabilities side of a balance sheet represents, or should do, the total investment of the undertaking. But in the example just given there need be no change in this total. The change takes place between the proportion of the total which is invested in operations and the proportion which is in reserve. To discover these proportions it is necessary to reclassify the assets. The customary distinction between current and non-current assets reflects, perhaps, the undue influence of bankers, with their concern over liquidity, on the framing of balance sheets. In the first place alienated capital – for example, staff pension fund – can be excluded: the fund from the liabilities, the representative investments from the assets. The retained capital will consist of:

(1) Capital invested in operations:
  (a) permanent investments;
  (b) long-term expenditure at cost;
  (c) trading assets, including trade investments.
(2) Capital in reserve:
  (a) replacement provision investments;
  (b) other investments;
  (c) cash in excess of trading requirements.

The liabilities may be apportioned to correspond, as follows:

(1) Share capital (permanent investment);
  long-term borrowing;
  trade and bank credit;
  capital reserves, i.e. all reserves invested in operations;
  replacement provision funds, if invested internally.
(2) Replacement provision funds invested externally or covered by cash;
  free reserves.

For management purposes an average statement may be more representative of the normal state of affairs. Average amounts for the year are included for creditors, stock, debtors and cash, instead of the actual amounts on the accounting date. In this case probably the whole of the cash figure ought to be included in (2) above, as it represents the average amount of cash not in use during the year. Such a statement of affairs will not perhaps balance, but this should not disturb the management. They will be more concerned to note the yield on capital employed – in the strict sense of the word 'employed' – (gross profit minus expenses, income tax on earnings and profits tax), as compared with the yield on capital in reserve (net interest and dividends received).

The scale of the undertaking, that is to say, the total investment in operations, will always be apparent from a balance sheet if the reserves are designated as:

(*a*) capital reserves, meaning reserves ploughed back, whether into fixed or trading assets;

(*b*) revenue reserves, meaning reserves free in fact as well as in law for dividend or for future capitalization;

also if replacement provisions and the corresponding investments are included as indicated, no deduction being made from cost of fixed assets.

Depreciation reduces the value but not the scale of a business[1]; replacement provision may or may not be used to increase the scale. It is arguable that, if we believe in Keynes and in the ability of the nations to avoid economic recessions, the huge free reserves which are maintained by many concerns are excessive, and that investment in diverse activities is a more profitable insurance.

[1] It may be said that the scale of operations varies with the reduction in value through depreciation of fixed assets, and that this is represented, however inexactly, by the depreciation deducted from fixed assets in the orthodox form of balance sheet presentation. My contention is that for practical purposes the scale of the undertaking, i.e. that scale which produces a rate of output of a certain average annual volume, should be regarded as uniform unless and until a change in scale occurs by the investment of fresh capital in operations, from outside or from within, or conversely by disinvestment. It is therefore convenient to take the cost of fixed assets (original or replacement) for the purpose of fixing a monetary label on the scale of operations. What can be known exactly in money terms is the amount of capital in reserve at a given date.

Conclusion

To sum up, accountants use the term 'capital expenditure' as a convenient title to distinguish expenditure which is not charged directly against current revenue, so that in practice it does not always imply (as textbook definitions state) increase of earning capacity. Non-profit-seeking concerns, where earning capacity is not relevant, might usefully give up using this expression and use instead the terms recurrent and non-recurrent expenditure. Finally, economists would understand the significance of balance sheets better if reserves were strictly apportioned as to capital (or utilized) reserves and free reserves; and perhaps the latter, with the corresponding assets, might be shown as a separate section in the balance sheet following the total of capital employed in operations.

Commercial and Higher Professional Education

by A. J. McINTOSH, B.Com., Ph.D., Director, City of London College

Variety of Commercial Activities

AT the outset it is necessary for me to define the field of commercial and higher professional education. I am going to do so very loosely by saying that I assume it to include everything which is taught in a college of commerce, or the commerce department of a technical college.

Colleges of commerce have sometimes been referred to as monotechnics. In fact, however, there is probably as much variety in the knowledge, techniques and skills taught in colleges of commerce as there is in technical colleges. Modern commerce, uses a great number and variety of specialists – those who are engaged in market research, in marketing or organizing distribution, in advertising, as well as directly in selling, and others whose services facilitate production and trade, such as those engaged in banking and finance, to provide the capital needed for production and also the credit needed by traders and the means of payment between debtor and creditor. There are the specialists who do the accounting, the stockbroking and the company management. There are those who operate systems of transport, as well as those such as the shipbrokers, shipping and forwarding agents and exporters, who organize their use. There are insurers who specialize in bearing one or more of a number of different risks run by producers, traders and consumers. All these specialists use documents, for record and for communication. Documentation involves office work, and hence we have a number of specialists in different kinds of office work, as well as those who specialize in the management of offices.

All these specialists need in varying degrees three different kinds of qualification – skill, knowledge and managerial ability – for example, skill in the operation of machines, whether they be typewriters, accounting machines, card punching machines, calculating machines or computers, skill in sorting, in calculating, in writing, and in the use of language or languages for communication; knowledge of facts, such as the law,

This, the third of three Cantor Lectures on 'Modern technological and commercial education', delivered before the Royal Society of Arts on November 23rd, is reproduced by courtesy of the author and of the Secretary of the Royal Society. It was the subject of comment in the issue of November 28th, relating to which a letter from the author appears elsewhere in this issue.

customs regulations, rates of exchange between currencies, conditions attached to different forms of insurance policy, possible sources of raw materials, characteristic of the commodities being bought or sold, or knowledge of organization, such as the general organization of the business world, the relationship of department to department, of firm to firm, of function to function, and managerial ability, or the ability to make sound decisions varying from decisions on elementary detail to decisions on major policy. My function in this lecture is to discuss the contribution which commercial or higher professional education makes or can make to the development of these skills, this knowledge and this managerial ability.

It is difficult to discuss modern commercial education without some reference to the historical developments through which the present position has been reached. The commercial world as a whole is only now and slowly beginning to recognize the value of general commercial education, as opposed to training in specialized techniques and knowledge. It was not until the end of the nineteenth century that commercial education extended beyond instruction in book-keeping and languages. From the later years of the nineteenth century, however, education authorities, using that term in its broadest sense, have made continuous efforts, with limited success, to induce students and their employers to make use of courses of commercial education with a broad background as well as specialized techniques.

Influences of Examinations and Professional Associations

During the present century the dominating features of education for commerce have been, firstly, the importance attached to examinations and certificates, rather than to the courses of instruction upon which they were based, and secondly, the proliferation of associations calling themselves professional institutes or professional associations whose prime function in many instances has become the conduct of examinations and the granting of certificates and the right to place letters after one's name. The Carr-Saunders Committee, drawing attention to this latter development, said that in 1947 there were at least fifty professional associations of this character, whose professed objects were usually much wider, but 'most of whose energy is absorbed by the conduct of examinations for which annually there is a very large entry of candidates'. The growth and importance of examinations and the proliferation of professional associations seem therefore to have some connection. The Committee on Education for Salesmanship (the Goodenough Committee) in its second interim report, issued in 1930, says in reference to the domination of our education by examinations 'in the countries visited, the examinations follow, rather than determine, the course of study'. The creation of new professional associations still continues, and most such new bodies continue to think that their first duty is to devise still another examination.

While it is undoubtedly true that professional associations have taken a prominent, if not a dominant, part in stimulating the demand for commercial education, and in controlling its direction, it is my belief that in recent years the vested interests which they have built up have been an impediment to its progress and development to meet modern needs. Happily, there are indications, to which I shall make reference later, that this position is changing, and that professional associations may play as important a part in facilitating the further progress of education for commerce as they played in its early development.

Unregulated Proliferation of Professional Associations

The very growth of professional associations may be due in part to another feature which has probably hampered education for commerce in the past. In Victorian days, trade or commerce was regarded as the occupation of those who lacked the education or breeding to enter one of the professions. The *Universal English Dictionary*, published in 1936, defines a profession as

> 'that which one professes or practises as a calling, specifically the learned or liberal vocations formerly sharply contrasted with trade or business though the distinction is rapidly breaking down'.

What could be more natural, therefore, than that those practising as a calling some specialized technique associated with commerce should try to acquire professional status, or, in the words of the Carr-Saunders Committee:

> 'come together, form an association, design a syllabus, conduct examinations, and admit to membership of the association those who pass a test of competence in the technique. This they do in imitation of the ancient professions though they may depart far from the conception of a profession as traditionally understood'.

From the incorporation by Royal Charter in 1880 of the Institute of Chartered Accountants, the rise of such professional associations has been very marked. The Carr-Saunders Committee found that there were more than fifty in the commercial field in 1947 and many more have since been formed.

Such associations maintain their status through the imposition of examination tests, but they also impose conditions as to general education and business experience, which may exclude many who are in fact practising the calling or desire to do so. This has given rise to the growth of other associations covering the same function, or some slight variation from it, but with easier conditions of entry. In the course of time some of these have been absorbed or amalgamated, but usually this has only resulted in the establishment of still other associations to continue the easier conditions of entry. We have arrived, therefore, at a position which is perhaps best illustrated in the field of accountancy, where in addition to the Institute of Chartered Accountants, the Society of Incorporated Accountants, now amalgamated with it,

and the Association of Certified and Corporate Accountants, which are recognized under the Companies Acts, we have:

The Institute of Company Accountants,
The Association of International Accountants,
The Anglo Society of Accountants and Auditors,
The Society of Commercial Accountants,
The Faculty of Auditors,
The English Association of Accountants,
The British Association of Accountants and Auditors,
The Association of Practising and Commercial Accountants,

and in a slightly different field, the Institute of Cost and Works Accountants, and the Incorporated Association of Cost and Industrial Accountants. This is an extreme example, but a similar situation is to be found in other fields of activity, and there is nothing to stop any person or group of persons from establishing a new body, devising an examination, and telling those who pass it that they may put certain letters after their names. It is therefore not to be wondered at that the older associations with the stiffer conditions of entry have been reluctant to relinquish control over any detail of their examinations, and have feared that co-operation with any outside body might result in infiltration of people not measuring up to their standards and therefore to a lowering of their status. Even though this situation is regrettable from some points of view, it has been brought about by the widespread and growing desire for some certification of knowledge and competence in the performance of various commercial functions, and it has encouraged study, although it may not have done so in all cases upon the most desirable lines or by the most desirable methods.

The present-day influence of the professional associations may be indicated by the following figures for 1958–59. The Institute of Chartered Accountants, the Association of Certified and Corporate Accountants, the Institute of Cost and Works Accountants, the Chartered Institute of Secretaries, the Institute of Bankers, and the Chartered Insurance Institute had between them approximately 93,000 members of the student grade, and 60,000 examination entries. These figures relate to the United Kingdom only, and exclude overseas candidates. The examination entries involve some duplication because, in most cases, the associations have two examinations a year, and students failing at the first examination will have entered again at the second. Nevertheless, these are very large figures, particularly when we bear in mind that they relate only to six of the more than fifty associations to which the Carr-Saunders Committee made reference.

Preparation for Professional Examinations

Students prepare for these examinations in a variety of ways, but although exact figures are not available, it is more than probable that the majority of them prepare by means of correspondence courses. Most chartered accountants have, up to now, encouraged their articled clerks to adopt this method of preparation in preference to attendance at classes in colleges of commerce. The Institute of Bankers, on the other hand, encourages students to attend classes. Even so, it is estimated that only about 40 per cent of their examination candidates do so. It therefore appears that associated with the importance of the professional associations is the predominance of study through correspondence courses. Of those who receive oral tuition in commercial colleges or commerce departments of technical colleges, a very high proportion do so by attendance at evening classes at the conclusion of their day's work. For example, the City of London College, which probably has more students preparing for such examinations than any other college in the country, has over 7,000 evening students, compared with about 350 part-time students in the day-time.

General Commercial Education

All these professional associations were set up to cater for those who were following *specialized* callings within the commercial field. A few years before the First World War education authorities began to recognize the need to provide commercial education for those who were either not following one of these specialized callings, or who wanted a broader view of the commercial field. This resulted in the establishment in evening institutes, first in the north and later in London, of the grouped course system, the purpose of which was stated by the Board of Education in a circular issued in 1919 as being to enable the student to realize the nature of his work in which he was taking a small and specialized part and to train him in the power and habit of thought in relation to business. The same purpose was behind the establishment in 1935 of Endorsed Certificates in Commerce, awarded by approved colleges and endorsed by the Board of Education, after a three-year course of part-time study. In 1939 they became the National Certificates in Commerce, administered by a joint committee of the Board of Education and the Association of British Chambers of Commerce. Ordinary National Certificates in Commerce were awarded after a three-year course of part-time study and Higher National Certificates after a further two years. In 1952 the scheme was changed; the composition of the controlling body was broadened by the inclusion of representatives of some fifteen of the professional associations as well as of the Ministry of Education, and of commercial and technical colleges. The Ordinary National Certificate became a two-year course and the Higher National Certificate a three-year course. These changes were the outcome of the recommendations of the Carr-Saunders Committee, but neither the Endorsed Certificates in Commerce nor the National Certificates in Commerce have attracted a substantial number of students.

Broader Character of Intermediate Examinations

The education authorities, however, were not alone in recognizing the need for a broad understanding of the commercial world and commercial techniques. Professional associations recognized that education and training narrowly restricted to a specialized occupation was not enough, and most of them introduced into their Intermediate examinations subjects of a much broader character. Thus we find most of them including book-keeping or principles of accounts and the general principles of law or commercial law. Many of them also included other subjects such as economics, English and commercial geography. Although in most cases their members had no claim to specialized knowledge of these general subjects, nor had any experience in teaching them, each professional body drew up its own syllabuses irrespective of those in the same subjects already drawn up by other bodies. Thus there grew up a variety of syllabuses in the same subjects, which, although they covered broadly the same ground as each other, varied in detail and emphasis. Students tend to be interested in passing the examinations rather than in study of the subject, and in consequence demand instruction narrowly concentrated upon the syllabus of the particular examination for which they are working. This has militated against the provision of class instruction, and has led to the establishment and use of correspondence tuition, often of a narrow, cramming variety relying upon memory rather than understanding.

When the National Certificate scheme was revised in 1952 it was hoped that, since representatives of professional bodies had control of its standard, the professional associations would increasingly be prepared to grant exemption to students who had taken the Ordinary National Certificate in Commerce in subjects quired for the professional bodies' own examinations. Progress up to now in this direction has, however, been extremely slow.

Management Studies

In 1947 the Special Committee on Education for Management (the Urwick Committee) recommended the establishment of courses of study leading to an examination for the award of Intermediate Certificates in Management Studies, and subsequently to Diplomas in Management Studies. The Intermediate Certificate in Management Studies is of particular interest to us in considering education for commerce because six of the nine subjects were those that had come to be regarded as the core of basic knowledge required for higher education for commerce, and were generally to be found in national certificates in commerce. In drawing up their syllabus for what the Urwick Committee called the common Intermediate examination, the Committee had in mind the hope that the professional institutions would in large measure adopt it in place of their own. So far as the professional associations which we have been considering are concerned, this hope was not realized. The Intermediate Certificate in Management Studies has had little more success in this respect than the National Certificates in Commerce, although it has proved more attractive to students as a certificate of value in itself, probably owing to the inclusion of the word 'Management' in its title. There are those who believe that one of the steps towards success of the national certificate in commerce should be to change its name.

This then is the nature of commercial education in this country above the routine or elementary level. Let us now consider briefly how provision is made for it by our public educational institutions.

There are fifteen colleges of commerces and over 170 commerce departments in technical colleges. There are also twenty evening institutes or their equivalent, which provide advanced courses in commercial subjects in the evenings only. In the competition for the scarce building and financial resources which have been available since the war, education for commerce has received low priority. Despite the resultant unsatisfactory accommodation and inadequate staffing, they have developed rapidly both in size and in the variety and quality of the facilities which they have offered. Fortunately, there now appears to be a public awakening to the importance of developing still further our education for commerce.

McMeeking Committee Recommendations

One of the early signs of this awakening was the establishment in 1957 of the Advisory Committee on Education for Commerce (the McMeeking Committee).

The McMeeking Committee was widely representative of industry, commerce, the professions and education, and I cannot do better than draw attention to some of its recommendations and comment upon the circumstances which gave rise to them. I do not propose to list them all, since they can be studied in detail in the report itself. Several of the recommendations hinge upon the belief that a combination of theoretical study with practical experience is the best form of education for a great many of those who are to occupy the middle and higher ranks of commerce. The Committee recommends the development of commercial apprenticeship schemes, which involve organized training on the job combined with release during working hours for the study of theoretical aspects in colleges of commerce. This may be by release to the college on one day or its equivalent in each week, or by what is termed 'block release' for full-time attendance at a college for unbroken periods of four to eight weeks at appropriate points in the trainee's practical experience, or by sandwich courses in which longer periods of up to six months are spent alternately at a college and in practical commercial employment. These recommendations

were made in the belief that they would facilitate the provision of more effective education than is possible when we rely as extensively as we do upon evening study at the end of a day's work. Already many of the more progressive firms have devised schemes of training on the job for their new recruits and have co-operated with their local college of commerce in relating their college studies to their business experience and likely future needs. Consequently, suitable courses of study in the day-time are already available in a growing number of areas.

National Certificates in Commerce

Other recommendations are concerned with National Certificates in Commerce, and their relationship to professional qualifications. Behind these recommendations lie two beliefs: first, that it is increasingly important for those engaged in specialized functions in commerce to be able to understand how their functions fit into the whole, and therefore to have a broad understanding of the whole field of commerce; second, that the rapidity of change in this modern world makes it desirable that young people entering commerce should not have to choose their ultimate specialization at too early an age, and that their retraining for some other function should be possible without starting again at the beginning if their circumstances or the changing needs of commerce so require. The Committee therefore recommends that the joint committee responsible for the control of national certificates and the professional associations shall co-ordinate their earlier examinations so that those entering commercial employment may proceed along agreed lines of study from which they may diverge along whatever line of specialization seems desirable when their direction has become clear to them. It also commend the Higher National Certificate in Commerce as a desirable qualification covering both general and specialized commercial knowledge especially in those fields where no precise professional qualification already exists, and they recommend the establishment of an additional national award of a standard equal to that of a university degree to mark the completion of a sandwich course in general commercial studies. The Committee had in mind here something equivalent to the Diploma in Technology, which already exists.

Here again, progress has already occurred. A number of progressive firms have decided to use ordinary national certificate courses for the earlier years of their commercial training schemes and the higher national certificate as an alternative to professional qualifications at the higher level. Two colleges of high repute have to my knowledge also established courses leading to a College Diploma in Commerce with a higher standard than the National Certificate in the hope that the proposed new national award will be established and applied to them. The prospectus of one of them states that the course has two purposes: (1) to impart a broad general knowledge of commercial organization and methods and the principles underlying them, and (2) the intellectual development of the students to enable them to analyse problems, find information for themselves, select and present it.

Refresher and Conversion Courses

Other recommendations relate to the kind of education provided by the colleges of commerce. More emphasis on preparation for export marketing is proposed, and alongside this go recommendations for more serious study of foreign languages with special reference to their use in the conduct of foreign trade. More short refresher and conversion courses are suggested both to assist small- and medium-sized firms in adjusting themselves to modern conditions by bringing up to date their knowledge of business practices and techniques, and to give training to technically qualified men for salesmanship and marketing in view of the increasing need for those who are engaged in selling to have a sound knowledge of both technical and commercial factors.

This is only one direction in which short courses may be desirable. This is an era of rapid change, and in such times, senior business men can easily get out of date. There is consequently a growing need to make it possible for senior executives or even directors of business to attend courses in order to be brought up to date on latest developments. One has only to look at the prospectuses of colleges of commerce or the *Bulletin of Advanced Courses* issued by the Regional Advisory Councils to see that this need has not been overlooked by those responsible for our colleges. May I quote a few such courses picked at random from a number of different prospectuses: management accounting, organization and method, work study appreciation, marketing practice, measuring advertising effectiveness, sources of economic information, cost and financial control, industrial statistics and quality control, operational research and the scope of electronic computers, taxation in relation to company reconstruction and reorganization, seminars on problems of tanker operating, the common market and the Stockholm plan; export seminars, in which trade representatives from the Embassies of the Soviet Union, Germany, Sweden, the United States, and Brazil discuss with sales managers trade possibilities in their own countries; trade with the Soviet Union, a nine-weeks' full-time course combining an elementary study of the language with general background knowledge about Russia and trading conditions and methods; the commercial aspects of marketing a product, a three-week full-time course designed for sales representatives. For many of these courses outside specialists are used, but in many of the colleges senior teaching staff have been making special studies of the latest developments in their own techniques or spheres of knowledge, and are able to give some or all of the lectures or lead some of the discussions.

Relationship between Colleges and the Business World

This brings me to the recommendations relating to the relationship between the staff of commercial colleges and the business world. Here, it seems to me, lies the key to future development. When the McMeeking Report was published, *The Times* published a leading article headed 'Apathy in commerce', and in the course of that article, the statement was made,

> 'what is lacking in commerce is the conviction that training is necessary or even helpful. How can the apathy be overcome? Colleges must be more compelling in describing to industry their training facilities'.

The majority of business men are amazingly ignorant of what colleges of commerce can offer, and since so many of our senior business men have had to learn on the job and grow up with the job they are apt to be sceptical about commercial education having anything at all to offer. The position is summed up in a note in *Barclay's Bank Review* for May 1959, commenting upon the McMeeking Report, where it says:

> 'about one-quarter to one-third of the working population are engaged in commerce. It is a highly relevant question to ask how all these people have been trained for their work, but it is sad to record that to some extent education for commerce has been a Cinderella in comparison with education in the sciences and technology. Learning on the job is of course of great importance, but it is not enough, particularly in an industrial and trading community'.

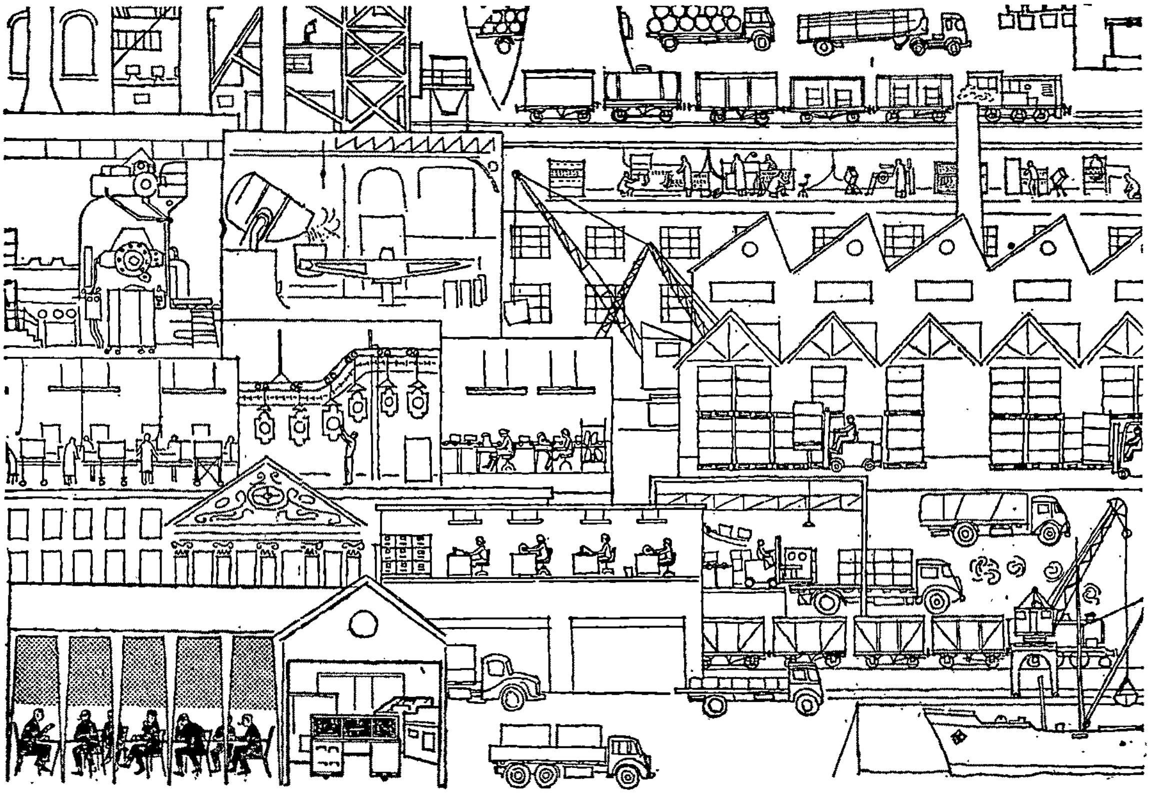
Thus it is not surprising that one of the recommendations of the report is that more should be done to publicize the facilities colleges have to offer. One method suggested is that more personal contacts should be developed between college principals and heads of departments and business organizations in their locality. I am inclined to agree with a prominent Midland industrialist whom I heard talking recently on this subject, when he said, 'colleges have got to do the job, and the job includes hard selling', and the selling has got to be done to the senior executives, many of whose education for commerce was acquired through correspondence courses which enabled them to pass their examinations but which gave them no idea at all of what a college of commerce could do, even in those days, far less what modern facilities they now provide. It may be, therefore, that our first job ought to be to get the senior executives themselves into the colleges for severely practical courses which will help them to bring their knowledge and techniques up to date and to learn how other firms and businesses are being conducted. I have already indicated that many short courses of this character are already being offered by colleges of commerce in the commercial centres of the country. It may be also that in some of them much more use of the case study method on which the Harvard Business School relies so predominantly will have to be developed. The building up of cases and the acquisition of knowledge for lectures calls for considerable expenditure of time by the teaching staff of the colleges in visting and working for business undertakings. In doing this they will not only benefit their teaching and be able to relate it more easily to current problems, but may also help the firms they visit by acting as consultants to them.

In addition to persuading senior business men to attend courses of lectures or seminars using the case study or other appropriate methods, the McMeeking Committee suggests that they should be induced to bring their business problems to colleges of commerce for discussion with the college experts or with other similarly placed business men at meetings of discussion groups. There are two colleges known to me where arrangements of this character have already been made. In one case it takes the form of a management association, mainly peopled by those who have been through management courses at the college, and in the other case it takes the form of a discussion group with provision for bringing in experts on the college staff or outside experts to deal with problems posed by members. In still a third college a group of senior teaching staff with suitable professional qualifications have constituted themselves into a consultancy group to carry out an investigation into the possibilities of more profitable use of their capital by a firm in the neighbourhood which has approached the college for this purpose.

Business Historians

The report also recommends that the staff of colleges should be encouraged to study commercial education and commercial practice abroad, and it suggests the appointment of business historians to the staff of colleges so that they may study the history of individual businesses in order to reveal the possible causes of their success or failure, or of fluctuations in their fortunes. Such revelations may be of help to other firms in determining present policy. This recommendation has already been acted upon. It is, of course, only so far as this research into practical business problems is translated into teaching that the basic function of the colleges will be fulfilled, but it is precisely this kind of teaching which will be of benefit to the more senior personnel in business undertakings, and if they find that the work of the colleges is of practical help to them in the conduct of their business they will see to it that their younger staff attend the colleges for appropriate courses in which the basic disciplines, principles and knowledge can be taught.

Earlier in this paper I suggested that there were signs that the traditional attitude to education for commerce was changing. In closing, it may be appropriate to review some of these signs. Probably the right starting-point is the issue in February 1956 of the Government White Paper on Technical Education. Although this paper was concerned almost entirely with technical, as opposed to commercial, education, it was the first public document for many



IN Sep
division of The Chartered Institute
held a seminar – attended by over 700 delegates – for the study of the problems which will arise when the Union goes over to decimal currency early in 1961. The papers given and a transcript of the questions and answers which followed have now been reproduced in an attractive booklet of about 100 pages.[1]

The organizers seem to have thought of every consequence of decimalization from the large-scale conversion problems of industry and commerce to the smaller but (to her) no less real difficulties of the housewife doing her shopping. Other aspects discussed are the impacts expected on banking, local authorities and the Inland Revenue. The effect on education is also fully considered and the Herculean efforts which the machine companies will have to make are dwelt upon in some detail.

One of the major obstacles to smooth conversion is, paradoxically, the question of small change. E denomination in the new currency has an ex equivalent in the old down to the $2\frac{1}{2}$ cent piece wh is the old 3*d* piece or 'tickey' as it is affectionat known. The new bronze coins of 1 cent and $\frac{1}{2}$ cer however, will have no equivalent in the existi coinage as their worth will be respectively twelve-tenths of the present penny and half-penny. Some initial confusion, therefore, is almost certain to ari in transactions involving the passing of small chan Another difficulty, which stems from the incompa bility of the numerals 12 and 10, is that, under new coinage, goods packed in dozens may sometin be more difficult to price than if they had be packed in tens. Spokesmen for the scheme say tl Americans contrive to pack goods in dozens witho incurring economic chaos and that, in any case, it is easier to pack in dozens because of 3×4 being a much more convenient lay-out than 10×1 or 5×2, the only alternatives in items grouped in tens.

UNITED STATES

Research Bulletin on Consolidated Financial Statements

THE American Institute has published a bulletin dealing with consolidated financ statements. Recommendations include the following.

In a regulated industry an inter-company profit made from manufacturing or constructing facilities need not be eliminated, to the extent that it is a

should be shown in a credit account and taken into income in future periods, on a reasonable and systematic basis. Crediting capital surplus is not now considered acceptable.

Even where there is a minority interest inter-company profits and losses should be entirely eliminated, since this is consistent with the underlying assumption that consolidated statements represent the financial position and operating results of a single enterprise.

Should a minority's share of subsidiary losses exceed its share in the subsidiary's equity capital, the excess and any further losses should be charged against the majority interest, since the minority has no obligation to make good such losses.

If a subsidiary capitalizes earned surplus arising acquisition a transfer to capital surplus is not ired on consolidation, for the retained earnings the consolidated statement should reflect the cumulated earnings of the consolidated group not istributed to the parent company's shareholders or apitalized by it.

It is preferred that the investment in an unconsolidated subsidiary should take up, through income, the controlling company's share in the subsidiary's net income or net loss, unless exclusion from consolidation is due to doubt as to accrual of he increase in equity to the group, as in the case of exchange restrictions.

Simplification of Financial Statements

IN an address to the American Accounting Association, Mr Edward T. McCormick, C.P.A., President of the American Stock Exchange, reproached accounting teachers and practitioners for not having created and developed an up-to-date technique for presenting financial information to the public in a way both easily understood and meaningful. He said that, while the narrative portion of the annual reports and even of prospectuses has become increasingly comprehensible to the average individual, he balance sheet and income statement have remained stereotyped and rigid behind a practically unassailable wall of convention.

In a recent leading article commenting on Mr McCormick's address, *The Journal of Accountancy* (New York), states that, as one-time assistant chief accountant and later a commissioner of the Securities and Exchange Commission, Mr McCormick deserves serious attention when he publicly chides the

[1] *Planning for Decimal Coinage*. (The Chartered Institute of Secretaries (South African Division)).

ed in
Federation

of how our economy works. Such subjects as economics, business management, wage systems and human relations must now be given more prominence'.

Just over a year later, the Minister of Education followed this up by asking the National Advisory Council on Education for Industry and Commerce to give its attention to the problem. The establishment of the McMeeking Committee was the result. Its report was published in March of this year, and wide prominence was given to it in the national Press, with almost unanimous acceptance of the value of education for commerce, and its importance in maintaining our world trading position.

Weir Committee Report

In the meanwhile, at the beginning of 1958 the Federation of British Industries took the init in setting up a working party to

> 'survey broadly the facilities available for assist firms in the development of their export trade wi a view to identifying any gaps, e.g. in education ar training facilities for sales and other staff, and t recommend any necessary action'.

This committee had as its chairman Sir Cecil Weir, and its report published about one month after the McMeeking Report, entitled *Export Trade Facilities*, has become known as the Weir Report. It contains a whole section of twenty-nine paragraphs devoted entirely to education and training for export management and marketing, and makes a number of recommendations for more active participation by exporting firms in the education and training of their marketing staff.

Although the Federation of British Industries took the initiative in setting up this working party, many of its members were drawn from outside the F.B.I. but the F.B.I. has now established its own working party to consider both this report and the McMeeking Report and to recommend action upon them.

The British Association for Commercial and Industrial Education, another body largely compose of representatives of industrial and commercial firms has also set up a working party to consider th McMeeking Report and the action which ought to b taken upon it. Even before the McMeeking Committee got to work, the Association of British Chambers of Commerce had, after long deliberation, produced a scheme of commercial apprenticeship for training, both on the job and at commercial colleges, of young entrants to commerce. This scheme, details

ual training conference to this topic. Again, a number of the larger industrial undertakings in the country, including oil and chemical companies, and the nationalized industries, have been giving a great deal of thought to the production of a scheme for general education for commerce which will suit the needs of such larger undertakings.

The Institute's Committee on Training

Amongst the professional associations also there is awareness of the need to reassess their educational requirements. The Institute of Chartered Accountants has established a committee to review training for their profession, and this committee has already met for many days and taken evidence from large numbers of individuals and organizations. The Advertising Association, the Chartered Insurance Institute and Chartered Institute of Secretaries also are onsidering their schemes, although not in such a ole-hearted manner; and representatives of these many other associations are already in consulta- n with the Joint Committee for National Certifi- tes in Commerce to try to find a way of co-ordina- ing their examination requirements as recommended by the McMeeking Committee.

All these are indications that the importance of mmercial education is now recognized by many of se engaged in business. On the educational side, re is no less growth of activity and interest. The nister of Education in a circular issued in June to al education authorities and principals of colleges clared that the McMeeking Report was of first- ss importance and, with one minor reservation, he accepted the report in its entirety. This, I believe, is the first occasion on which a Minister of Education has formally accepted a report on education for commerce. The principals of colleges and heads of departments on their part assembled in large numbers t the commencement of the summer vacation and ent three days discussing the report and the action which they might take on it.

All this interest leads me to believe that we may be on the eve of developments in education for merce on a scale that we have never before known ich may put us ahead of our commercial competitors in America, in the European Common Market, and the 'outer seven', and enable us as a country to play the same leading part in the world commerce that we have played in the past; but this will only come about if the interest is translated into concerted action by all concerned.

accounting profession. It thinks Mr McCormick considerably less than fair when he implies that others are entirely responsible for improvements in the narrative sections of annual reports while the accountants have dug their heels in and refused to budge.

As to Mr McCormick's provocative suggestion that information on the results of operations and where the company stands should be combined for the average investor, with the aim of providing him with a single, integrated, simple story or picture, drawn from the balance sheet, income statement, and surplus analysis, and presented in laymen's language, the journal approves experimentation in this direction. But it warns against over-simplification at the risk of misleading. It thinks it probably true that accountants have not shown as much initiative as they might in trying to make financial statements as meaningful as possible to intelligent people who may not understand accounting.

National Association of Accountants

IT is interesting to record that Mr T. Keay Gorrie, C.A., A.A.C.C.A., formerly of Edinburgh and Paisley, has been elected a director of the New York Chapter of the National Association of Accountants.

Mr Gorrie, who will serve as Director of Publicity, is a member of the staff of the Dell Publishing Co, of New York.

RHODESIAN FEDERATION

P.A.Y.E. and Decimalization

MR DONALD MACINTYRE, the Minister of Finance for the Federation of Rhodesia and Nyasaland, has recently announced the setting up of two committees of inquiry. One committee is to investigate the feasibility of introducing a pay-as-you-earn scheme for the deduction of income tax and is expected to report next year. If considered advisable, the Federation will introduce the new system in 1962.

The other committee will investigate and 'report on the advantages and disadvantages of establishing the currency and money account of the Federation on a decimal basis with particular reference to savings in the cost to the community, if any, and the likely cost to the Government'. The committee will visit the main centres in the Federation, will take evidence from interested people, firms and organizations, and is to report to the Federal Government by May 1960.

NEW ZEALAND

Official Year-book

THE New Zealand Official Year-book for 1959, published by the department of statistics, sets out a wide range of information on New Zealand. The facts and figures of the country's life and economy are compressed into 1,309 pages and the illustrations section presents a series of photographs on transport and communications.

A new sub-section on occupational safety has been added to the section on industrial accidents and workers' compensation, and a historical note now introduces the section on external trade. Substantial revision has been made to the information dealing with taxation, production and marketing of primary produce, forestry, employment and unemployment. The latest statistical information includes information which became available as late as July 1959.

Copies (price 17*s* 6*d*) will be available shortly from the Information Officer, New Zealand House, Strand, London, WC2.

Tables of The Law

The Government Printer, Mr R. E. Owen, replied . . . to criticism about the quality of paper and the size of type in the weekly P.A.Y.E. tax deduction tables which come into operation on October 1. . . . Arrangements have been made for a special extract of these pages to be printed with a larger type and on better paper. – News item.

OUR P.A.Y.E. tables, or national Book of Fate,
Are after all most vital to the well-being of the State,
Besides being an essential current work of reference
To which our profoundest regard, not to say deference,
Ought to be paid, no less than is due
To, say, *Lloyd's Register*, *Debrett*, the *Racing Calendar*, or *Who's Who*
Regarded as literature, simply, these tables may bear
Comparison with anything similar published elsewhere –
A little advanced, possibly, for the more conservative taste,
Designed for leisured perusal, not for skipping in haste,
Our tables nevertheless contain much to reward the serious student,
To curb the extravagant and to discipline the imprudent,
Some critics may pronounce adversely upon the style,
Some complain that humour is lacking, not even the ghost of a smile –
Some may call them the common or public extortioner's handbook,
And some go further and would like to see them a banned book.
Personally I don't agree, I would find them, actually,
Superior to most N.Z. literature, not only factually
But also imaginatively satisfying, a kind of poetic
Work, combining the realistic with the aesthetic,
Not to mention the prophetic,
And telling, in a few pregnant pages,
More truth than whole volumes by our literary sages and mages.
THEREFORE, Sir, I am glad the Government has taken the hint
And put this masterpiece or piece of it into decent paper and print.
If our best book is made of the letters (or figures) on Nordie's doormat,
We may as well put it in a respectable format.

From the *New Zealand Herald*.

Weekly Notes

Whether an Auditor is a Company Officer

ON Monday, the Court of Criminal Appeal dismissed the appeal by Norman Shacter against his conviction at Manchester Assizes on three counts of publishing fraudulent statements and falsifying books (being a public officer of a public company) contrary to Sections 83 and 84 of the Larceny Act, 1861; three counts of fraud as an officer of a company which had gone into liquidation, contrary to Section 330 (*a*) of the Companies Act, 1948; and two further counts relating to defaults as an officer of a company, contrary to Sections 331 and 328 (1) (*j*) respectively of the Companies Act, 1948 (*The Times*, December 8th). The appellant had been appointed auditor of Maurice Shalam & Co Ltd, a public company, in 1953, and the appointment was continued from year to year. Certain figures concerning the stock position had been put before a bank with a view to obtaining an overdraft, and were found to be false.

Giving the judgment of the Court, the Lord Chief Justice said that the main question arising on the appeal was whether the appellant was an 'officer' of the company. The Companies Act, 1948, contemplated that an auditor might be an officer by reason of his appointment under Section 159. The authorities showed that an auditor appointed to fill an office was an officer, while an auditor appointed *ad hoc* was not. The Court was of the clear opinion that the appellant was an officer.

Tax on Property Dealing Leads to Bankruptcy

ON Tuesday, at Gloucester County Court, Arthur Cecil Cook, of Market Place, Marshfield, Gloucestershire, applied unsuccessfully for his discharge from bankruptcy, the application being adjourned generally. Mr G. W. Sisman, Official Receiver, put the unsecured liabilities at £55,002, and said that assets were likely to realize £33,008, leaving a deficiency of nearly £22,000. He said that Mr Cook and his wife bought eighty to one hundred houses wholly on mortgage before the war. His wife died in 1945, leaving him about £31,000. He remarried in 1946, and bought Woodhouse (Rodborough, Stroud), Manor Farm, Home Farm, and six cottages for £13,500 in 1949. He entertained extensively and bought furniture, paintings and *objets d'art* for at least £30,000.

Apparently, continued Mr Sisman, he used the money he had obtained from profits on property dealings, having been advised that these sums would not be subject to income tax. But in 1951 the Inland Revenue began investigations and he was later faced with demands for £38,000 but had not made any provision to meet this debt. Later, assessments and interest raised the total tax demands to £54,425. (*The Times*, December 8th.)

Improving Company Reports

PUBLIC company accounts, in appearance until comparatively recently the apotheosis of drabness, have in the last decade become almost dazzling examples, in many instances, of the uses to which colour, design and illustration may be put in presenting financial facts. In addition to the usual information required by law, essential statistics are sometimes displayed in a variety of symbols which include slices of cake or pie, bags of money, smoking chimneys and masses of vertical columns of assorted sizes like the New York skyline.

Has the cult for visual or pictorial representation gone too far? In the course of an address to members of the London and District Society of Chartered Accountants, on Wednesday evening, Mr Charles W. Aston, A.C.A., had some useful comments on this and other trends in published company statements. Normally, he said, the annual report was the only communication addressed by a company to its shareholders in the course of a year. It was important, therefore, to use this medium to publicize the progress of the company as much as possible, not only to shareholders but to employees, customers, investors and a substantial portion of the community at large. He emphasized that good public relations could not sell a bad case but that, on the other hand, a good case could be spoiled by bad public relations.

Mr Aston thought that the five first considerations in preparing an annual report were:

(*a*) its general appearance, including size of page, typography, colour, illustrations, etc;
(*b*) contents – should the chairman's speech be included and what background information about the business should be given?
(*c*) design of financial accounts;
(*d*) what supplementary financial statements should be attached;
(*e*) to what extent charts and diagrams should be used.

His own view was that, in general, any tendency towards the unusual or calculated to distract, should be avoided, as should also a profusion of photographs, particularly of personnel. The accounts had a story to tell and the illustrations, as it were, should be no more than an *apéritif* to the meal which the words and figures provided.

As to the contents, Mr Aston thought that the directors' report might be extended to give shareholders more information about what was happening to the company, and that the chairman's speech might

then become more in the nature of an expression of personal opinion on broader extraneous matters affecting, or likely to affect, the company or the trade or industry with which it was associated.

Among comments made by Mr Aston on the lay-out of accounts were these: that a special version should be prepared for employees; that the publication of the complete profit and loss account of a holding company was unnecessary, the shareholders and others being concerned mainly with the group position; that the vertical balance sheet was not an improvement on the old horizontal version (if a vertical balance sheet 'has to extend over two pages, one might just as well place the assets on the one side and the capital and liabilities on the other'); that much of the material on the face of the balance sheet – details of fixed assets and movements of reserves were two examples – could more conveniently be given in the form of notes; and that taxation liabilities should be more clearly defined.

Finally, with regard to supplementary financial statements which nowadays often accompany accounts, Mr Aston thought that tables of comparative figures over a period of ten years were, in some instances, too elaborate and that they should be restricted to those items which pinpoint the company's progress. These should be supplemented with percentages to place the figures in proper perspective. Charts and diagrams, he maintained, should be used with 'considerable circumspection' and their inclusion could only be justified if they told a story 'and in order to do so it is usually necessary to relate one set of figures to another'. As one of the best examples of the use of charts which he had seen, Mr Aston cited those which appeared in the *Monthly Bulletin for Industry*, published by the Information Division of the Treasury.

Banking by Television

A LITTLE while ago Barclays Bank announced the introduction of a closed circuit television system in their Fenchurch Street, London, office. Now the Westminster Bank are using television in Manchester. The Barclays installation was designed to avoid the transportation of ledgers from a remote machine-room to managers and cashiers; the Westminster are using theirs to link three (it will later be four) branches in a centralized book-keeping system.

It has seemed likely for some time that banking must in the future develop some form of centralized book-keeping, in which there would be substantial economies in floors pace and operating costs through the pooling of the ledger work of groups of branches, all the branches in each group, except the central one, serving as counters only – with managers' rooms, of course, serving still their present purpose. Indeed, the Bank of Scotland has already introduced centralization in Edinburgh. But obviously the 'outlying' branches must continue to have immediate access to particulars of all their accounts, and the Westminster television installation will presumably serve this purpose of management control.

The Westminster announcement, however, stressed rather the fact that customers can use it for immediate sight of their statements. For years past banking discussion of the centralization of the future has accepted the fact that complete centralization would entail the withdrawal of the customer's right to have his statement on demand, and all the banks have been concerned at this kind of diminution of their familiar service: already the disappearance of payees' names from statements, although inevitable if the full economies of mechanization, especially electronic mechanization, are to be obtained, has not been popular with bank customers. The Westminster and their competitors alike will doubtless be interested to see to what extent customers avail themselves of the viewing facility, which will now be their substitute for picking up the statement at their branch; they will, of course, still be able to have it posted on to them.

Five Years for Tax Fraud

AT Leeds Assizes on December 3rd, a sentence of five years' imprisonment was imposed on Louis Bernard Robinson, aged 65, of Cornwall Road, Harrogate, a director of Louis B. Robinson Ltd, worsted manufacturers, of Bradford. Albert Edward Taylor, aged 67, accountant's clerk, of Alexandra Road, Horsforth, Leeds, was sentenced to two years' imprisonment. Both men had pleaded guilty to a charge of conspiring to defraud the Inland Revenue and guilty to nine charges of making false income tax returns.

Counsel for the prosecution (as reported in *The Times*, of December 4th) said that Robinson had lost something like £75,000 to book-makers. He added that Taylor was senior audit clerk with a firm of chartered accountants for whom he had worked for forty years, and was secretary of the Robinson company. The total profits understated were £61,265, and tax lost to the Revenue over the nine years amounted to £41,268.

Gold Reserves Down

DURING November the gold reserves fell by £18 million to £1,062 million. This was the first net fall for over two years which can be attributed to ordinarily commercial and financial operations. These figures have not come as a surprise for the persistent weakening of sterling on the foreign exchanges and the need for the Exchange Control to intervene from time to time has already indicated a persistent pressure on the £ arising from a net increase in this country's liabilities on its external account.

Much of the reason for the decline is the persistent

low rates of interest in London compared in particular with West Germany and the United States. Both these countries have been following a policy of high interest rates and, particularly in the case of West Germany, tighter credit. In consequence, short-term funds have moved from London to both these other international centres. This country has indeed become something of a small island of low interest rates, comparatively speaking, in a sea of high interest rates and tighter monetary conditions. To some extent the recent General Election has played a part in the November results. Those with international obligations to meet in foreign currencies postponed their purchases until the Election was over. The result has been a piling up in the demand for foreign exchange during November and to that extent the pressure is therefore a passing phase.

The authorities are not unduly concerned with these November figures. The balance of payments position in the United Kingdom remains fundamentally sound and the terms of trade do not indicate any likelihood of a serious worsening of the relationship of imports to exports in the comparatively near future.

This Is My Life . . .

by An Industrious Accountant

CHAPTER 2

I MET our auditors today. A most unfortunate encounter which got off on the wrong foot and never recovered.

It started when I went in to chat with the assistants checking our debtors' ledger balances. The young senior clerk was keen, alert and humorous, an outstanding man in any group, and I made a mental note to offer him a job with us some day. We went through the accounts in detail and lined up several ideas for future improvements.

The others were less impressive. Non-committal and leisurely, they looked me over in a distant fashion, and I missed the camaraderie of the C.A.s in my old office. I only learned later that no fewer than three members of their firm had applied for my job before I was appointed, so I represented the outlander to them. But as a traditionalist I found that the sports coats, flannels and pullovers fashionably adjusted round the adam's apple, masking the tie (if any) were not my idea of the profession. (*Mea culpa?*) And the lanky lad lounging back almost horizontally, with the heavy register sunk into his midriff, was hardly a study in concentration.

The trouble really started when their principal partner arrived on the scene. Bald, bony and tight-lipped, he welcomed me to my new job and in the same breath hoped I would not find it too difficult for me. If so, he would be pleased to lend me an assistant to explain any points I failed to follow in the system. His boys had been trained in a hard school. My rejoinder, that they kept their old school ties well hidden, was probably unnecessary, but not more so than his, to the effect that he regretted his staff weren't up to my City standards.

OUR mutual distaste ripened rapidly. I had found the routine trading and profit and loss accounts, with ill-grouped expenses and unallocated overheads, very uninformative for a departmental store. There were numerous typed schedules of costings – my predecessor's private productions – but many figures failed to correspond with the audited accounts, owing to adjustments in direct costs etc. Now I outlined a new format. Tabulated statistics of departmental sales, gross profits, allocated costs, percentages of net profits, etc., just the thing to brief a new-comer, all in terms of return per square foot of floor area.

The principal partner didn't like it. He informed me that the statutory auditor was not a cost accountant, and also such work would necessitate an increased fee. The old form had never been considered inadequate. I can see now that it was tactless to remind him of the need to keep up with modern professional standards.

If Pythagoras was right in his theory of reincarnation, we might have been Montague and Capulet again. The exchanges were outwardly courteous, but the antipathy was born full-grown. Both of us were, I think, conscious that the friction was unnecessary and lamentable, but somehow we couldn't start afresh.

He scored the last point. I had asked for copies of the last few tax computations to study, as they were not on our files. He agreed to supply them, with the comment that tax matters were best left to the specialist. 'After all, you can scarcely keep in touch with developments in this field, now that you have left the profession.'

This jibe about leaving the profession is one that I always resent. I was so maddened that I had looked up the provisions in the Companies Act governing change of auditors before I saw the humorous side of it.

The correspondence school booklet stresses that a good secretary needs efficiency, integrity, zeal, knowledge of law, of tax, of insurance, etc. It was wrong. Tact and a sense of humour should come first.

Finance and Commerce

Half-yearly Reports

LAST week comment was made in this column on the number of 'big name' companies issuing half-yearly statements at this time of the year. This has prompted the suggestion that we should reprint some of the six-month profit statements as an indication of the form adopted by various companies.

The Wiggins, Teape; Courtaulds and Beecham Group statements reprinted this week show three different forms. The Courtaulds and Wiggins, Teape statements, it will be seen, were made at the time of the announcement of the interim dividend for the current year. Courtaulds' (see next page) is, in fact, an historical document since it is the first half-year statement ever to have been made by the company; the directors now consider that the advantages of stating profits half-yearly outweigh the disadvantages; though what those disadvantages actually were or are have not been indicated.

Courtaulds provide a straight profit comparison beginning with taxable profits and moving down to profits applicable to the shareholders. In addition, the statement gives a short description of the trading experience and a forecast of second half-year results.

Complete Picture

THE directors of Wiggins, Teape prefer the narrative form of statement (opposite column). Profits are shown on a gross basis and, like the Courtaulds announcement, it points to bigger turnover and good prospects for the second half of the financial year. It also confirms a dividend forecast previously made.

The Beecham Group's half-yearly, however, goes much further than either of the other two. It provides a complete picture from sales to final net earnings for the past half-year, for the comparative previous year period and with the immediately preceding six months. This, it may be recalled, is the form of half-yearly statement suggested in this column a few issues ago for use by Qualcast Ltd.

It also shows how any special factors influencing half-year profits can be explained in additional notes in the statement. The notes in the Beecham document show the influence of new earnings during the various stages covered by the figures. Finally, it will be seen that the Beecham announcement is made independently of dividend statements. The company's first interim for the year to next March was announced early in October. A second interim is due to be announced in February followed by the final in May.

No Statement

IT is suggested that Mr Guy M. Chantrey, F.C.A., chairman of Tan Sad Holdings Ltd, would do well to follow the example of Mr Ralph Gordon-Smith, of S. Smith & Sons (England) Ltd, whose decision to include his annual review with the company's accounts this year for the first time was noted in this column last week.

The Tan Sad Holdings' report, inside the back cover, urges shareholders to purchase from the company's 'comprehensive range' of baby carriages, folding prams, push chairs, invalid's carriages, wheel toys, dolls' prams and cots; and on other pages gives illustrations of some of these products. It does not, however, give one single word of comment on the company's experience in the year to last July when group trading profits eased from £82,124 to £78,647.

The directors' report merely provides figures which are inevitably repeated in the profit and loss account and refers to the intention to propose the re-election of a director, now over 70, and the fact that the auditors continue in office. It also draws attention to the formal notice concerning a '1 for 2' scrip issue.

At the meeting on December 9th, Mr Chantrey adequately filled in the gap. Much of what he said, however, would have been better provided in a statement with the accounts.

WIGGINS, TEAPE & CO. LTD.

The Directors of Wiggins, Teape & Co. Ltd. have declared an Interim Dividend in respect of the year 1959 of 5% (actual) less Tax (1958 same) payable on the 8th December, 1959.

The profit of the Group, after providing for debenture interest, but before providing for taxation, preference dividends and amounts set aside for Obsolescence, for the half-year to 4th July 1959 amounted to £1,987,416 compared with £1,878,108 as adjusted to a comparable basis for the similar period for 1958. The above profit does not include any profit earned by the waxed paper companies recently acquired by the Group.

The turnover of the Group for the half-year to 4th July 1959 showed an increase over that for the similar period of 1958, and in fact, proved a record.

The present indications are that the profit for the year 1959, after providing for Taxation, should be appreciably more than that for the year 1958.

When making the offers to acquire the share capitals of Griffith and Diggens Limited and Waxed Papers Limited the Directors stated that in the absence of any unforeseen circumstances the total dividend for the year 1959 on the increased Ordinary Stock of the Company would be 17½% less income tax. The Directors see no reason to modify that statement.

Kelsey Industries

WHETHER a company's annual report and accounts should be made an advertising medium is a topic which can be guaranteed to raise a discussion wherever two or three accountants are gathered together. Whatever the pros and cons, however, nothing should obscure the report and accounts – they are what really matter.

The directors of Kelsey Industries Ltd evidently have no qualms on the subject, for tucked into each

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COURTAULDS, LIMITED

NOTICE TO PRESS DATED 5TH NOVEMBER 1959

Interim Profit and Dividend Announcement

1. The Board announce an interim dividend at the rate of 1/0d. per £1 unit of Ordinary Stock, less tax at the rate of 7/9d. in the £, in respect of the year ending 31st March 1960 to be paid on 17th December 1959 to the Ordinary Stockholders registered in the books of the Company as at the close of business on 5th November 1959. The interim dividend in the previous year was 7.2d. and the final dividend was 1/4d. per £1 unit of Ordinary Stock.

The transfer books of the Company will be closed from 6th November to 12th November 1959, both days inclusive, for Ordinary Stock.

2. The Group Profits (which are unaudited) for the half year ended 30th September 1959 and for the half year ended 30th September 1958 were as below:–

	30th September 1959	*30th September 1958 (for comparison)*
	£	£
Group Profit before Taxation	9,154,000	5,427,000
Deduct: Estimated Group Charge for Taxation	4,036,000	2,457,000
GROUP PROFIT after Taxation	5,118,000	2,970,000
Deduct: Interests of Minority Shareholders therein	315,000	315,000
INTEREST OF MEMBERS OF COURTAULDS, LIMITED IN GROUP PROFIT	4,803,000	2,655,000

3. In the first half of this year profits in respect of all the Company's own products have increased as have those of British Celanese Limited and the subsidiaries in North America.

The Group Profit before Taxation in the second half of last year amounted to £8,112,000 reflecting the improvement in trade which has continued.

Present indications are that the profits for the second half of this year will be similar to those for the first half.

H. L. LIGHT,
Secretary.

16, St. Martin's-le-Grand,
London, E.C.1.

5th November 1959.

BEECHAM GROUP LIMITED

INTERIM STATEMENT OF TRADING RESULTS 1959/60

Half-year ended 30th September 1959

The Directors of Beecham Group Limited announce that the unaudited accounts for the half-year ended 30th September 1959, show the following trading results.

	Half-years ended 30th September 1959	*Half-years ended 30th September 1958*	*Half-year ended 31st March 1959*
	£	£	£
SALES OF GROUP PRODUCTS ..	24,525,000	18,745,000	21,663,000
GROUP TRADING PROFIT ..	4,152,000	3,369,000	3,372,000
Less: Interest on Unsecured Loan Stocks ..	209,000	96,000	210,000
GROUP PROFIT BEFORE TAXATION	3,943,000	3,273,000	3,162,000
ESTIMATED TAXATION:			
Profits tax ..	370,000	340,000	329,000
Income tax and overseas taxation (after double taxation relief)..	1,640,000	1,298,000	1,261,000
	2,010,000	1,638,000	1,590,000
GROUP NET PROFIT ..	1,933,000	1,635,000	1,572,000
Less: Net profit of subsidiary companies attributable to minority interests ..	7,000	3,000	8,000
SURPLUS ATTRIBUTABLE TO BEECHAM GROUP LIMITED ..	£1,926,000	£1,632,000	£1,564,000

Notes:

1. The ordinary shares of Thomas & Evans Ltd. were acquired at the beginning of September 1958, and the Group figures for the half-year ended the 30th September 1958 therefore include the results of one month's trading by that company. The figures for the half-years ended the 31st March and the 30th September 1959, both include the results of six months' trading by Thomas & Evans Ltd.
2. The Group figures for the half-year ended the 30th September 1959, include the results of five and a half months' trading by James Pascall Ltd. which was acquired in April 1959.
3. The figure of sales of Group products excludes sales by the grocery shops of Thomas & Evans Ltd.

copy of this year's published accounts is a brochure entitled *Everything to do with Roofs in every part of the kingdom.*

Kelsey is a company that, while specializing in the construction, maintenance and repairs of roofs, has a number of well-paying sidelines: 'Gumption', the cleaner; 'Multicore' solders; 'Multimusic', a subsidiary making tape-recorders used in broadcasting studios and by recording enthusiasts; as well as a subsidiary making sound deadening and sealing materials.

Another thing about this company's report and accounts is the unusual form in which they appear. Each account is bound at its left-hand edge into an eight by four folder, looking in their folded state somewhat like a bundle of accountant's working papers. Here again opinions will differ as to whether this is a good idea.

Concessions to Stockholders

REFERENCE was made recently in this column to the inclusion in the report and accounts of Canadian and English Stores Ltd of a coupon entitling shareholders to a 10 per cent discount on purchases at the company's shops. Another company, George Nott Industries Ltd, is doing the same sort of thing. George Nott, which owns the Townsend cross-Channel car ferry, is prepared to carry its Ordinary stockholders and their cars across the Channel for half fare. The concession operates from the beginning of the 1960 season and is subject to the proviso that the member shall hold not less than £50 nominal of stock. At current market price, a £50 holding would cost some £300.

All kinds of effort are being made to bring share holders and their companies closer together. The Bowater Paper group hires trains and boats to take shareholders *en masse* to annual meetings held at one or other of the company's works. Metal Industries also holds annual meetings in the big cities and towns away from its headquarters; De La Rue holds board meetings in the provinces to give local shareholders a better opportunity to meet their directors.

But there is nothing like the feeling that this is 'my' boat, or shop – or at least part of it is, and that 'my' proprietorship carries the privilege of price concession. The way to a shareholder's heart is very much through his pocket.

CITY NOTES

THE City has now become interest-rate rather than share-boom conscious. The fall of £18 million in the November gold and currency reserves drew attention to the pressure on sterling resulting from the high level of interest rates in the United States and the repatriation of foreign-held sterling for end-year balance sheet purposes.

For the first time for more than a year, sterling fell below the dollar parity of $2.80, but subsequently made good the discount. City opinion is that the Government's refusal to be pushed into any precipitate Bank rate move resulted in a return of overseas confidence. There has, however, been a significant rise in the Treasury bill rate, a move which has operational effect on money flow.

In the stock-markets these developments have been translated into uneasiness in the gilt-edged section and to a lesser extent in some reaction in industrial equities. It is, however, difficult to depress the equity market for long under present conditions and lower prices only serve to bring in new buyers.

The weight of money seeking investment is still very heavy and it is unlikely to be kept out of the market purely on account of interest rate fears which turn to a fair degree on seasonal currency influences.

Meanwhile, new capital raising issues and new share offers continue to find a strong degree of support, a development which emphasizes the weight of money factor.

Investment funds, in equity markets, are now tending to move towards capital investment rather than consumer goods shares on the assumption that the capital goods industries are now beginning to come more into the industrial expansion picture.

RATES AND PRICES

Closing prices, Wednesday, December 9th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) $2\frac{1}{4}$%

Bank Rate

Feb. 16, 1956	$5\frac{1}{2}$%	May 22, 1958	$5\frac{1}{2}$%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	$4\frac{1}{2}$%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Oct. 2	£3 9*s* 10·4*d*%	Nov. 6	£3 7*s* 4·62*d*%
Oct. 9	£3 8*s* 9*d*%	Nov. 13	£3 7*s* 9·55*d*%
Oct. 16	£3 8*s* 4·91*d*%	Nov. 20	£3 7*s* 11·96*d*%
Oct. 23	£3 8*s* 6·74*d*%	Nov. 27	£3 7*s* 11·95*d*%
Oct. 30	£3 7*s* 8·53*d*%	Dec. 4	£3 10*s* 7·23*d*%

Money Rates

Day to day	2–$3\frac{1}{2}$%	*Bank Bills*	
7 days	3–$3\frac{1}{8}$%	2 months	$3\frac{5}{8}$–$3\frac{11}{16}$%
Fine Trade Bills		3 months	$3\frac{5}{8}$–$3\frac{11}{16}$%
3 months	$4\frac{1}{4}$–5%	4 months	$3\frac{5}{8}$–$3\frac{11}{16}$%
4 months	$4\frac{1}{4}$–5%	6 months	$3\frac{5}{8}$–$3\frac{3}{4}$%
6 months	$4\frac{1}{2}$–5%		

Foreign Exchanges

New York	2·80–$\frac{1}{16}$	Frankfurt	11·68–$\frac{1}{4}$
Montreal	2·66$\frac{1}{2}$–$\frac{5}{8}$	Milan	1737$\frac{7}{8}$–8$\frac{1}{8}$
Amsterdam	10·55$\frac{7}{8}$–·56$\frac{1}{8}$	Oslo	19·99$\frac{5}{8}$–$\frac{7}{8}$
Brussels	140·01$\frac{1}{4}$–$\frac{3}{4}$	Paris	13·74–$\frac{1}{4}$
Copenhagen	19·32$\frac{1}{4}$–$\frac{1}{2}$	Zürich	12·10$\frac{1}{4}$–$\frac{1}{2}$

Gilt-edged

Consols $2\frac{1}{2}$%	$50\frac{7}{16}$xd	Funding 4% 60–90	$94\frac{1}{4}$
Consols 4%	$75\frac{7}{8}$	Savings $2\frac{1}{2}$% 64–67	$85\frac{5}{16}$
War Loan $3\frac{1}{2}$%	$65\frac{7}{8}$	Savings 3% 55–65	$92\frac{1}{8}$
Conversion $3\frac{1}{2}$%	$66\frac{1}{4}$	Savings 3% 60–70	$83\frac{13}{16}$
Conversion $3\frac{1}{2}$% 1969	$89\frac{5}{8}$	Savings 3% 65–75	$77\frac{7}{8}$
Exchequer $5\frac{1}{2}$% 1966	$104\frac{1}{4}$	Treasury $2\frac{1}{2}$%	$49\frac{1}{16}$
Funding 3% 66–68	$86\frac{5}{8}$	Treasury $3\frac{1}{2}$% 77–80	$79\frac{7}{8}$
Funding 3% 59–69	$85\frac{1}{4}$	Treasury $3\frac{1}{2}$% 79–81	$79\frac{1}{16}$
Funding $3\frac{1}{2}$% 99–04	$72\frac{7}{16}$xd	Victory 4%	$96\frac{3}{8}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Signed Accounts for the Revenue?

SIR, – Please can you or your readers tell me the justification for the Revenue's insistence that the auditors should sign the audit report on accounts of limited companies submitted for tax purposes?

Is it merely a habit or a tradition? If the plea is that the signature is for the purpose of identification, the covering letter would serve this purpose just as well.

I am quite happy to sign my report to my clients, the members.

Yours faithfully,

London, EC2. W. H. BOWLES.

[It would appear that there are no grounds for any *insistence* on the part of the Revenue that auditors should sign the audit report on accounts of limited companies submitted for tax purposes, though it seems reasonable that they might require certified true copies unless the accounts are printed. – EDITOR.]

Professional Education

SIR, – In your issue of November 28th, 1959, you devote one and a half columns of your Weekly Notes to my Cantor Lecture at the Royal Society of Arts on 'Commercial and Higher Professional Education'. Your note gives a totally misleading impression of my lecture and the points which I made in it. Not only does the writer of your note rush to defend chartered accountants from an attack which was not made, but he also introduces red herrings in order to show my ignorance of my subject.

My lecture was a survey of the past development, present position, and future prospects of commercial education. It was based upon reports of authoritative bodies such as the Carr-Saunders and McMeeking Committees, prospectuses and reports of colleges of commerce, annual reports of the Ministry of Education, and publications of professional bodies. It contains little, if any, expression of my own personal opinion which was not supported by such evidence. I sought an official history of the Institute of Chartered Accountants, but was informed that there was none; but if, as your writer says, it was not founded to raise the status of accountants, what is the meaning of the words 'elevation of the accountancy profession' in the Royal Charter of the Institute, which is quoted in their current booklet of general information?

In the course of my historical review, I stated that professional associations had taken a prominent if not a dominant part in stimulating the demand for commercial education and I went on to say that there are indications that they may play as important a part in facilitating further progress. In taking the accountancy profession as an illustration of the proliferation of professional bodies, the whole point of my remarks was to emphasize the

> 'wide distinction between the standing of the major accountancy bodies . . . and that of the minor bodies where a qualification of a kind may be had for much less expenditure of time and study'

and I contrasted a list of eight such minor bodies with the chartered and certified accountants. The fact that I did not mention the Institute of Chartered Accountants of Scotland or that in Ireland was solely due to the fact that I was speaking of education in England and Wales. If your writer knows anything at all about education, he will be aware that the educational systems of both those countries are separate and different from that in England, and there was therefore no more reason for me to refer to professional bodies in those countries than in any other country of the Commonwealth where institutes of accountants may exist.

Your writer ends up as though he were stating something which I had denied:

> 'it is difficult to see how any general background to commercial education provided by a technical college, however excellent these institutions may be, could ever prove to be an adequate substitute (for a spell in a practising accountant's office)'.

Earlier in his note, he quotes my approbation of the principle that the best form of education is a combination of theoretical study and practical training.

May I invite your readers to judge for themselves, by reading my lecture, whether the note in your journal is either fair or accurate?

Yours faithfully,

London, EC2. A. J. McINTOSH.

[The lecture is reproduced elsewhere in this issue. – EDITOR.]

Stock-taking and the Companies Act

SIR, – On page 509 of the November 28th issue of *The Accountant* you refer to explanations given by the chairman of Sangers Ltd of the delay in presenting their annual accounts.

Mr Sanger's statement in column 2 implies that the 1948 Companies Act requires that all stocks 'be taken on the same day throughout the group', whereas, so far as I am aware, the Companies Act imposes no such obligation.

This company takes a physical stock at different factories on different dates; all stocks must be taken at some date within the last six months of the financial year.

For our subsequent monthly and year-end accounts we use our book stock figures which, based on many years' past experience, we know to be within 1 per cent of actual stocks.

What causes me some concern is that the printing of Mr Sanger's statement without any editorial comment from your good self may give the impression that what he says is correct, and that nothing can be done about it.

I feel there is a real danger that students reading the statement may be misled, and form an erroneous view of the requirements of the 1948 Companies Act.

Yours very truly,
W. F. EDWARDS, A.C.A.,
Director and Treasurer,
GENERAL MOTORS LTD.

London, SW1.

Overstocked

SIR, – Your readers complain of the level of salaries in the profession, but are the conditions of employment in industry what they were? I refer, of course, to the 'mass' creation of chartered accountants which came about through amalgamation with the Society. I still believe that the Institute threw away the exclusive status of the chartered accountant for no return. We now have quantity where quality prevailed. Many of us believed that amalgamation would lead to more integration, but when will this happen?

Opportunity in industrial employment has changed. Before amalgamation, a chartered accountant had a certain priority of status and greater opportunities in the larger business. The supply of chartered accountants is now so large, that every conceivable kind of business is able to offer us employment, many of which would have previously been considered inadequate for our training. We are now no longer exclusive. Is this what amalgamation was for?

Yours faithfully,
Bristol. L. C. WORRALL.

International Chart of Accounts

SIR, – In the October 31st issue of *The Accountant* we were most interested in Kenneth S. Most's article 'International Chart of Accounts'. This article contained a brief reference and a schedule of the international chart of accounts prepared by an international committee of accountants.

We would appreciate it if you would let us know where we might obtain additional information concerning the details of this chart with descriptions of the accounts.

Yours very truly,
Toronto. McDONALD, CURRIE CO.

[The only work at the present time on *Le Plan Comptable International* (International Chart of Accounts) is that published in French by Editions Cambel, of 21 Rue Ernest Havaux, Brussels. Mr Kenneth S. Most himself, however, has now completed a book in English on the subject, which he hopes will be published next year. Readers interested in further information regarding the chart of accounts are invited to write either to Mr Most (to whom we shall be glad to forward letters) or to M Marcel Mommen, Editions Cambel, 21 Rue Ernest Havaux, Brussels. – EDITOR.]

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Imperial Chemical Industries Limited *v.* Caro

In the High Court of Justice (Chancery Division)
November 11th, 1959

(Before Mr Justice WYNN-PARRY)

Income tax – Profits tax – Double taxation relief – Overseas dividends in two fiscal years – Whether relief available for each year – Income Tax Act, 1952, Sections 123, 132, 133, 134, 347 – Schedule XVI, paragraphs 2, 8, 9, 13 – Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806), Article XII.

The appellant held shares in Imperial Chemical Industries of Australia and New Zealand Limited (I.C.I. Australia) which was incorporated and controlled in Australia. In 1952, 5,158,481 ordinary shares were held by it. In 1952 the appellant was allotted a further 1,805,468 ordinary shares in I.C.I. Australia. These shares were either a new source of income, or an addition to a source, within Section 134 (2) of the Income Tax Act, 1952. Dividends on the new holding were first received in the year 1953–54, and the Case V assessment for 1954–55 had to be computed on the dividends payable in that year; and as no notice was given under Section 133 (1) (*c*), the Case V assessment for 1955–56 had to be computed on the income that arose in the preceding year, that is to say, also on the dividends payable in 1954–55.

The dividends paid on the new holding during 1954–55 were, in sterling, £93,511. The Australian tax applicable to this sum was, in sterling, £64,836, made up of £16,307 charged directly on the £93,511 and £48,529 not charged directly or by deduction, and being the appropriate proportion under paragraph 9 of Schedule XVI of the Income Tax Act, 1952. The profits tax attributable to the £93,511 was £15,624, and relief for Australian tax had first to be given against that tax.

Pursuant to paragraph 8 (3) (*b*) of Schedule

XVI, the Case V assessment for 1954–55 had to be increased to £142,040 by including the £48,529, the amount of Australian tax not charged directly or by deduction. For 1954–55, the amount of United Kingdom income tax on the £142,040 was £63,918, and for 1955–56 it was £60,367.

It was conceded on behalf of the respondent that if in any one of the two years of assessment credit for Australian tax did not fall to be given, a deduction from the amount of the assessment for that year could be made in a sum representing the Australian tax less the amount credited against profits tax; and that that deduction would be allowed, whether or not it could be claimed as of right.

It was contended for the appellant that it was entitled to a credit in respect of the Australian tax against United Kingdom income tax for both 1954–55 and 1955–56. For the respondent it was contended that the credit could be given for the one year or the other, or up to a limit of £49,212 for both years. The Special Commissioners decided in favour of the respondent.

Held, the Special Commissioners' decision was correct.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, December 2nd, 1959, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs J. Ainsworth, M.B.E., E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Exemption from the Preliminary Examination

One application under bye-law 79 for exemption from the Preliminary examination was acceded to.

Exemption from the Intermediate Examination

Two applications under bye-law 85 (*b*) for exemption from the Intermediate examination were acceded to. One application was refused.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles

The Secretary reported the registration of 432 articles of clerkship during the last month, the total number since January 1st, 1959, being 2,423.

Building Societies

On the report of the Parliamentary and Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorized the submission of a memorandum on Building Societies to the Chancellor of the Exchequer for consideration in connection with the legislation which he intends to introduce.

Penalty Provisions of the Income Tax Acts

On the report of the Parliamentary and Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorized the sending of a letter to the Chairman of the Board of Inland Revenue in connection with the review of the penalty provisions of the Income Tax Acts.

Overseas Trade Corporations

On the report of the Parliamentary and Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorized the submission of a memorandum on Overseas Trade Corporations to the Chancellor of the Exchequer.

The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31st, 1959, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available by the end of December 1959.)

Admission to Membership

The following was admitted to membership of the Institute:

Gillingwater, John Robert; A.C.A., 1959; 54 Fairfield Avenue, Kirkella, East Yorkshire.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Baker, Colin Frederick; A.C.A., 1958; (S. 1950); (Sheen & Co), Moorgate Hall, Moorgate, London, EC2.

Bevan, David Howard; A.C.A., 1959; (Howard Bevan & Co), 19 Masson Avenue, South Ruislip, Middlesex.
Blower, Roland Stanley; A.C.A., 1958; (S. 1950); (Jackson, Vayro & Co), Nine Alma Square, Scarborough; also at Kirbymoorside (Jackson, Rudd & Co) and Whitby (Jackson, Stevens & Co).
Chidell, Paul Douglas Arnold; A.C.A., 1936; (*Chidell, Gaymer & Co), 64 South Street, Chichester, Sussex, and at Bognor Regis.
Clark, Bryan David; A.C.A., 1953; (*O. Carter & Coley), Cheam House, Exeter Road, Bournemouth.
Curry, Dennis Stephen; A.C.A., 1958; (S. 1931); Dennis S. Curry & Co), 16–17 Devonshire Square, Bishopsgate, London, EC2.
Evans, Malcolm, M.A.; A.C.A., 1959; (Malcolm Evans & Co), 190A Upper Richmond Road, Putney, London, SW15.
Fearnley, Albert Eric; A.C.A., 1959; (A. Fearnley & Co), 147 High Street, Newton-le-Willows, Lancashire.
Forrest, David; A.C.A., 1959; (*W. D. Burlinson & Co), Wesley Chambers, Union Street, Dewsbury, and at Batley and Ossett.
Gold, (Miss) Joyce Isabel; A.C.A., 1959; 47 Northfield Road, Stamford Hill, London, N16.
Gooch, Alan; A.C.A., 1958 (S. 1953); (*Sowerby & Rushforth), 3 Parliament Street, Hull.
Hardy, Peter Francis; A.C.A., 1958; (S. 1953); (*Hardy & Hardy), 18 Green Dragon Lane, London, N21.
Hebden, John Dempster; A.C.A., 1958; (C. Percy Barrowcliff & Co), 55/57 Albert Road, Middlesbrough, and at Leeds, Newcastle upon Tyne and Wakefield.
Low, Geoffrey Hadden; A.C.A., 1959; (R. J. Brooks & Co), 7 Moorfields, Liverpool, 2.
Mander, Antony Norman; A.C.A., 1956; (Antony N. Mander & Co), Hopetoun House, 5 Lloyd's Avenue, London, EC3.
Mossop, John Fleming; A.C.A., 1957; (Mossop, Wood & Co), 24 Bank Street, Carlisle.
Newton, John Alan; A.C.A., 1959; (*H. J. Newton & Son), 139A High Street, Epsom, Surrey.
Pole, Leslie Hammond; A.C.A., 1954; (Pole, Russell & Co), 2 Salisbury Road, Leicester.
Preece, Jeffrey James; A.C.A., 1957; (Frank J. Smith & Co), 37–39 High Holborn, London, WC1.
Price, Alec Mitchell; A.C.A., 1949; 1029 Chester Road, Stretford, near Manchester.
Robertson, Timothy; A.C.A., 1958; (John Stubbs, Parkin & Co), 11 Stafford Street, Market Drayton, Salop, and at Liverpool.
Susskind, Paul Charles; A.C.A., 1955; (Stuart Young & Co), 29A Wimpole Street, London, W1.
Thomas, Peter Melville; A.C.A., 1957; 169 Malpas Road, Newport, Mon.
Thomas, Terence James Coyne; A.C.A., 1959; (T. J. Coyne Thomas & Co), 21 Rhondda Street, Mount Pleasant, Swansea.
Wayne, Harold; A.C.A., 1958; (Jacqmar, Wayne & Co), 381C Nether Street, Finchley, London, N3.
Wilson, Edward Arthur; A.C.A., 1958; (S. 1933); (John Wilson & Co), 3 Beech Close, Walton-on-Thames, Surrey.
Wood, John Anthony; A.C.A., 1956; (Mossop, Wood & Co), 24 Bank Street, Carlisle.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

Readmission to Membership

It was reported to the Council that the following readmission, made at the Council meeting on November 4th, 1959, subject to payment of the amount required, had become effective:

Sheldon, John, A.C.A., (J. Sheldon & Co), 26 Broadway, Westminster, London, SW1.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Pigram, Roger Frederick to Pygram, Roger Frederick.

Resignations

The Council accepted the resignations from membership of the Institute of:

Allen, James Elliott, F.C.A., 'Mayfield', Argyle Road, Barnet.
Balding, Howard Gerald, A.S.A.A., (Davey, Balding & Co), 33 Queens Road, Melbourne, Australia.
Barton, Harry, A.S.A.A., 34 Upper St Michael's Road, Aldershot.
Beeby, Charles Ryland, F.C.A., 160 Western Road, Leigh-on-Sea, Essex.
Broad, Percival Gordon, M.A., F.C.A., Priory Farm House, Park Lane, Reigate, Surrey.
Deane, Richard Charles, A.C.A., Muckridge House, Youghal, Co. Cork.
Harrison, Cyril Frederick Nigel, M.A., A.C.A., The Crofton Hotel, 14 Queen's Gate, London, SW7.
Harrop, Arthur Ernest, A.C.A., 12 Great Headland Crescent, Paignton, Devon.
Hunt (Miss) Gillian, A.C.A., 67 York Road, Guildford, Surrey.
Moberly, Henry Walter, M.C., M.A., F.C.A., Stubdale, Grasmere, Westmorland.
Pearse, Henry George, A.S.A.A., 4 Brick Kiln Lane, Great Horkesley, Colchester, Essex.
Phillips, Donald Roy, A.S.A.A., County Borough of Hastings, Borough Treasurer's Office, 38-40 Wellington Square, Hastings.
Price, Eardley Edward Carnac, C.I.E., A.C.A., 'East Braynes', Wiveliscombe, Taunton, Somerset.
Pyle, Barry John Lear, F.C.A., 6 Alexandra Terrace, Truro, Cornwall.
Reilly, John Arnold, A.S.A.A., 9 Collinbridge Park, Whitewell, Belfast.
Selley, John Reginald Wreford, A.C.A., 16 Pollard's Hill West, London, SW16.
Walton, Cyril, F.C.A., 7 Grove Lane, Headingley, Leeds, 6.
Wood, Arthur Leslie, A.S.A.A., The Borough Treasurer, Stephyns Chambers, Bank Court, Marlowes, Hemel Hempstead, Herts.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Walter John Baulf, F.C.A., Bromley.
,, Clement James Brewster, F.C.A., Enfield.
,, James Harold Caine, A.S.A.A., Wallasey.
,, Reginald Lewis Chapman, A.C.A., Deal.
,, John Ernest Clucas, F.C.A., London.
,, Arnold Louis Dugon, M.B.E., A.C.A., Boreham Wood.
,, David Rees Evans, F.C.A., London.
,, Reginald Alderson Fawcett, A.C.A., West Kirby, Cheshire.
,, Arthur Reginald Knight, F.C.A., London.
,, George Duke Midgley, F.C.A., London.
,, Anthony John Peter Smith, F.C.A., London.
,, Richard James Weston, F.C.A., Derby.
,, Victor Gemmel Winslet, A.C.A., Jersey.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on November 4th, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of the Institute was in June 1959 at Bow Street Magistrates Court convicted on a charge that being the liquidator of a limited company he failed to send to the Registrar of Companies a statement relating to the position of the liquidation of that company, contrary to Section 342 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved but the Committee decided that in the special circumstances no action should be taken.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on November 4th, 1959.

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Charles William Decimus Over, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that (*a*) he failed within a reasonable time or at all to deal with repeated requests and inquiries made to him by the Registrar of Companies in relation to a limited company of which he was appointed the receiver in February 1958; (*b*) he failed within a reasonable time or at all to deal with repeated requests and inquiries made to him by a limited company in relation to the position of the company referred to in (*a*) above; (*c*) he failed within a reasonable time or at all to deal with repeated requests and inquiries made to him by a firm in relation to the tax matters of that firm of which he was at one time auditor and accountant; (*d*) he failed within a reasonable time or at all to implement his promise (given to the Secretary of the Institute in two letters dated April 4th and 24th, 1959) to deal with the matters set out in (*a*), (*b*) and (*c*) above, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Charles William Decimus Over, A.C.A., had been proved under all headings and the Committee affirmed the Decision of the Disciplinary Committee that Charles William Decimus Over, A.C.A., of 44A Commercial Road, Woking, Surrey, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounts Analysis; by J. A. Mackinnon and L. J. E. Troupe, A.C.A.: Second edition. 1959. (Gee, 8*s* 6*d*.)

Airline Price Policy: a study of domestic airline passenger fares; by P. W. Cherington. Boston. 1958. (Harvard University, 60*s*.)

All About Income Tax, House Duty, and Land Tax . . .; by C. Forward. 1900. (Presented by D. F. Goode, F.C.A.)

L'Art solide de Livre De comptes . . .; by Jean Coutereels. Middleburg. 1623. (N. Israel, £92 7*s* 6*d*.)

Bread and Circuses; by G. Schwartz. 1959. (Sunday Times, 12*s* 6*d*.)

Budgeting in Public Authorities. (Royal Institute of Public Administration). 1959. (R.I.P.A., 28*s*.)

Budgeting: principles and practice; by H. C. Heiser. New York. 1959. (Ronald Press, 80*s*.)

Compensation and the Town and Country Planning Act, 1959; by F. V. Corfield. 1959. (Solicitors' Law Stationery Soc., 77*s* 6*d*.)

Elements of Taxation; by R. G. Williams, F.C.A.: Seventh edition. (1959). (Donnington Press, 10*s* 6*d*.)

Financial Analysis for Management; by R. B. Lewis. Englewood Cliffs, N.J. 1959. (Prentice-Hall, 200*s*.)

House of Commons, 1959. (*The Times*). 1959. (The Times Office, 21*s*.)

The Key to Accounting and Costing; by J. A. R. Tainsh. 1959. (Charles Griffin, 14*s*.)

Kort Begrijp van't Italiaens Boeck-Houden . . .; by D. Cock. Middleburg. 1651. (B. M. Israel, £21 6*s* 3*d*.)

Organization and Methods: a service to management; by G. E. Milward. 1959. (Macmillan, 63*s*.)

Pinnock's Catechisms of the arts and sciences; forming a complete Juvenile Encyclopaedia . . . in ten volumes: Vol. VIII containing arithmetic . . . geometry . . . navigation . . .; by Pinnock. (1823). (Presented by J. F. Masters, F.C.A.)

Preparing the Office Manual; by M. G. Kellogg. New York. 1959. (American Management Association, 18*s* 6*d*.)

The Technique and Practice of Costing for the Rubber Manufacturing Industry. (Federation of British Rubber and Allied Manufacturers.) 1959. (F. of B.R. & A.M., 15*s*.)

The Valuation of Businesses, Shares and other Proprietary Interests. (Accounts Research Committee.) (Johannesburg. 1959.) (Joint Council of Chartered Accountants of South Africa, 10*s* 6*d*.)

WOMEN CHARTERED ACCOUNTANTS' DINING SOCIETY

Miss Margaret Fox, F.C.A., Chairman of the Women Chartered Accountants' Dining Society, presided at the annual dinner of the Society held at *The Hotel Rubens*, London, SW1, on December 5th.

Proposing the toast of the Institute, Miss Fox suggested that the names of successful examination candidates should be followed not by the name of their principal but by the name of the firm where the articled clerk had been trained. She added:

'Apart from their own hard work it seems to me that any contribution to the success of articled clerks is made by the firm as a whole where they are trained by all the principals and not one, and by the senior members of the staff from whom, of necessity, they receive most of their training.'

Larger Partnerships

Miss Fox recalled that Mr Henry Benson, in his paper on 'The future role of the accountant in practice', which was presented at last year's autumn meeting, had referred to the changing structure of professional firms due to the need for specialization within each firm, and that larger partnerships were tending to be the result of this need.

'The names of the larger and well-established firms tend to remain unchanged, and are no longer strictly synonymous with the names of the partners as in the past,' said Miss Fox.

'It seems, therefore, that the name of the firm will become of increasing significance rather than the names of the principals. The more an articled clerk is moved around within a firm in order to obtain the advantages of wider experience which the larger firms can give, the greater the number of people who will contribute to his training and success.'

Earlier, Miss Fox recalled that the Dining Society was founded in 1945 by Miss Ethel Watts, B.A., F.C.A., who was its first chairman. Miss Watts, whom they were delighted to see present, was the first woman chartered accountant to qualify by examination.

In the New Year, the Society was going outside London for the first time, extending its activities to Birmingham, where they hoped to have a modest social evening with women members of the Institute in that area, and they also hoped to entertain the women articled clerks.

Speaking of some of the invaluable services which the Institute's staff rendered, Miss Fox referred to the annual list of members, the *Members' Handbook*, and the Appointments Register, adding that 'in our view, this is a particularly high-class department, as it has an exclusive list of firms willing to take women articled clerks'.

Responding to the toast, Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, expressed his pleasure at addressing 'so many distinguished and busy women' and added:

'May I say that I am surprised that women should find careers in accountancy. It seems to be somehow counter to their usual characteristics. . . . But thank heaven accountancy is in the blood of some of you, and in the case of your chairman and honorary secretary, is almost a family tradition. I say thank heaven because our profession is going to want more and more of you in one role or another.'

Period of Reappraisal

After referring to the integration of the Institute and the Society of Incorporated Accountants, Mr Peat said that membership must now be approaching the 33,000 mark. He continued:

'We have set up two committees, the Education and Training Committee and the Technical Activities Committee which will between them re-examine the whole structure of our Institute from the point of view of the education and training of our new entry, and of the basis and character of future research which is vitally essential if we are going to hold our own in this highly competitive professional world of work study and management accounting.

'The circumstances and training of our articled clerks must be our most important and urgent problem, and I should like to congratulate you on the kindly interest you take in the increasing number of girls who are entering articles. The whole relationship between principal and clerk has changed in the past generation, and I feel in some cases not for the better. As in all other matters we must recognize the changes that are taking place and re-fashion our methods to take advantage of the good, and, as far as possible, reduce the impact of the less desirable characteristics of modern life.

The toast of 'The Voluntary Societies' was proposed by Miss M. Willman, A.C.A., and Dame Anne Bryans, D.B.E., Deputy Chairman, British Red Cross Society, responded.

Miss S. G. Lange, F.C.A., proposed 'The Guests' and the response was made by Lieut-Commander A. R. C. Rowe, D.S.C., R.N., Deputy Secretary, Navy League.

Among the company of sixty-four diners, there were Mrs Peat, Sir William Carrington, F.C.A., a Past President of the Institute, and Lady Carrington, Mr J. D. Russell, M.A., F.C.A., Chairman of the London and District Society of Chartered Accountants, and Mrs Russell, Mr Alan S. MacIver, M.C., B.A., Secretary of the Institute, and Mrs MacIver, Miss J. Parry, A.C.A., and Miss B. Rainey, F.C.A., Hon. Secretary of the Society.

EXETER CHARTERED ACCOUNTANTS' ANNUAL DINNER

A company of about 200 members and guests attended the annual dinner of the Exeter and District Branch of the Bristol and West England Society of Chartered Accountants at *The Imperial Hotel*, Exeter, on December 4th. Mr R. H. Passmore, F.C.A., Chairman of the Branch, presided and among those present were Alderman Charles Woodland, Mayor of Exeter; Alderman E. Pearse Wheatley, Sheriff of Exeter; Mr W. L. Barrows, LL.D., F.C.A., Immediate Past President of the Institute; Mr F. J. Weeks, A.C.A., President, Bristol and West of England Society of Chartered Accountants; Mr John Foot, B.A.(OXON.); Mr J. L. Smeall, M.A.(CANTAB.), J.P., Principal, Saint Luke's College, Exeter, and

Dr J. W. Cook, F.R.S., (*Vice-Chancellor, University of Exeter*); Messrs G. F. Cowcher, F.C.A., (*Secretary, Gloucester Branch, Bristol and West of England Society of Chartered Accountants*); C. Croxton-Smith, M.A., LL.B., J.P. F.C.A. (*Member of the Council of the Institute*); W. V. Eggleton, F.C.A. (*Representative of the Gloucester Branch, Bristol and West of England Society of Chartered Accountants*); G. C. Ehlers, F.C.A. (*Secretary, Bristol and West of England Society of Chartered Accountants*); D. F. Jewers, A.C.A. (*Secretary, Cornwall and Plymouth Branch, Bristol and West of England Society of Chartered Accountants*); C. H. S. Loveday, A.C.A. (*an Assistant Secretary of the Institute*); P. V. Roberts, A.C.A. (*Member of the Council of the Institute*); G. Tomlinson, F.A.I. (*Secretary, Western Counties Branch, Chartered Auctioneers' and Estate Agents' Institute*); R. Dudley Williams, M.P. (*Member of Parliament for Exeter*); L. A. D. Winter, F.C.A. (*Chairman, Cornwall and Plymouth Branch, Bristol and West of England Society of Chartered Accountants*); J. Howard Wippell (*Chairman, Exeter Chamber of Commerce*); W. A. Wonnacott (*Secretary, Exeter Institute of Bankers*); D. W. S. Woodley (*President, Exeter Institute of Bankers*).

Heart of the West

Proposing the toast of 'The City and County of Exeter', Mr Weeks said that when referring to Exeter one could either start from prehistoric days or speak about the city as it is today. He noticed from the city's brochure that it was described as both the heart of the west and the gateway to the west. He did not think it could be both and preferred to have Exeter as the heart of the west with Bristol as one of the gateways.

Exeter was a delightful city, he said, and was a city far advanced in education. There was a fine teaching college for schoolmasters and a university with over 1,000 students.

Alderman Charles Woodland responded to the toast and referred to the various duties he had to perform as Mayor. Since taking office he had attended 147 functions. He spoke of the city's parking problems, and said that if they were to build a city which would comply with what everybody wanted, it seemed that the only thing to do was to pull down the Cathedral and put it in a different part of the city, and pull down the historic Guildhall and put it somewhere outside. Some people, he added, seemed to think they should strip down every building in Exeter, make a big car park, and build Exeter around that.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Mr John Foot, a Plymouth lawyer. He said he had been sent copies of both *The Accountant* and *Accountancy* and glancing through one of the journals he was interested to find an article by an accountant on law. It was a very good article about a familiar theme – that was the way in which those who prepared legislation appeared to be concerned to make it as difficult to understand as was humanly possible.

Recruitment for the Profession

Responding to the toast, Mr Barrows recalled spending his boyhood at Dawlish, where his father was a country parson. He had vivid recollections of Exeter and was probably the first President of the Institute to hail from this part of the world.

He assured the Exeter Branch members that the Council were very conscious of the need to look after and protect the interests of those practising and training in what might be termed the more remote areas.

The Bristol Society did a very good job indeed. One serious matter was that the area should be a 'feeding ground' for the profession in the rest of the country, providing the recruits of the right character – boys and girls from many excellent schools in the West Country. He imagined these recruits could not all be absorbed by firms practising in the area, and he asked local members not to forget the Midlands. They should preach the gospel of the opportunities available; if they did this they would be carrying out a real service to the Institute.

He thanked members for their delightful hospitality which enabled him to meet so many friends in the profession and so many of the students who were its real future.

The toast of 'Our Guests' was proposed by Mr Passmore. He said newspapers and public bodies had complained that in many parts of the West Country there were no apprenticeship schemes, and they frequently bewailed the lack of opportunity for young people. Yet there were many firms of chartered accountants in the area willing to accept articled clerks and the principles of the profession could be learnt in a provincial office as well as in London. He added that, in his belief, the qualifications of a chartered accountant provided the finest stepping stone to admittance into finance, industry or commerce.

Mr J. L. Smeall responded to the toast.

Notes and Notices

PERSONAL

Messrs Wilson, Bigg & Co, Chartered Accountants, formerly of 80a Coleman Street, London, EC2, announce that their office is now at 4–7 Chiswell Street, London, EC1. Telephone Monarch 2487.

Mr H. Graham House, M.A., PH.D., F.A., F.C.C.S., practising as Graham House & Co, Accountants and Auditors, of 174–176 High Street, Hounslow, Middlesex, and at Huntingdon and Chichester, announces that he has opened a London office at 16 Berkeley Street, Mayfair, W1. Telephone: Mayfair 5060.

PROFESSIONAL NOTES

Mr Arnold Pym, C.A., chief accountant of the Imperial Tobacco Co (of Great Britain and Ireland) Ltd, has been appointed a director of the company.

Mr T. R. R. Whittaker, A.C.A., has been co-opted to the board of Whitefriars Investment Trust.

Lt.-Col. P. F. Benton Jones, O.B.E., M.A., A.C.A., has been elected chairman of the executive board of the British Tax Confederation.

IRISH TRADE COMMISSION

Dr F. G. Hall, PH.D., LITT.D., F.C.A., principal in the firm of F. G. Hall, Chartered Accountants, of 11 Ely Place, Dublin, has been appointed by the Minister for Industry and Commerce of the Republic of Ireland as a member of the Fair Trade Commission from January 1st, 1960.

IN PARLIAMENT

Decimal Coinage

Mr Braine asked the Chancellor of the Exchequer whether, in view of the fact that many Commonwealth countries have adopted a decimal coinage or are now contemplating taking such a step, he will authorize an inquiry into the desirability of such a reform in this country; and whether he will also arrange for an early exchange of views on the subject with our Commonwealth partners.

Mr Barber: Not at present

Mr Braine: Is my hon. friend aware that Australia is now contemplating a changeover and that other Commonwealth countries have either done so or are thinking about it? Recent correspondence in *The Financial Times* shows a substantial body of opinion in favour. Authoritative bodies, like the Federation of British Industries, have not closed their minds to the idea. Will my hon. friend ask his right hon. friend to look at this again, otherwise we shall be left at the end of a long queue isolated as the only non-decimal country in the world?

Mr Barber: I realize the force of my hon. friend's argument but the reason I gave him the answer 'not at present' was that, as he may know, the British Association is at the moment considering various matters, of which this is one, and it is probably better to wait until we have its Report.

Hansard, Dec. 3rd, 1959. Oral Answers. Col. 1366.

Savings Bank: Giro System

Mr Ness Edwards asked the Postmaster-General if he will consider the introduction of the French Giro system in connection with the Post Office Savings Bank.

Mr Bevins: The question raised by the Radcliffe Report whether the Post Office should in certain circumstances set up a Giro system on continental lines raises big issues. It requires, and is receiving, exhaustive study. I cannot yet say when conclusions will be reached.

Mr Ness Edwards: As the right hon. gentleman is aware, the Post Office Savings Bank has been the 'Cinderella' service of the Post Office for a very long time. Will he apply his energies to trying to bring this Cinderella very much to the front and to give it this injection of new opportunities of serving the people?

Mr Bevins: I am hoping to apply my energies in many directions, but it is rather doubtful whether the Savings Bank system as such, which after all is essentially a deposit system, could be adapted to a system involving current transactions. We shall have to examine that very carefully. We also have to consider whether in this country, with its highly developed joint-stock banking system, the Giro system would meet the public need.

Hansard, Dec. 2nd, 1959. Oral Answers. Col. 1172.

INSTITUTE OF INTERNAL AUDITORS

New Chapter Formed in East Midlands

A Chapter of The Institute of Internal Auditors has now been established in the Nottingham, Derby, Leicester area to be known as the East Midlands Chapter. The following officers have been appointed:

President: Mr R. Adam Brown, National Coal Board.
Vice-President: Mr W. M. Dugmore, East Midlands Electricity Board.
Secretary: Mr E. V. Aspin, National Coal Board.
Treasurer: Mr W. A. Lowe, East Midlands Electricity Board.
Governor: Mr W. Austin, City of Nottingham.

Information about the activities of the Chapter can be obtained from the Secretary, Mr E. V. Aspin, National Coal Board, East Midlands Division, Sherwood Lodge, Arnold, near Nottingham.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

The first of the 1959–60 luncheon meetings of the Dublin Society of Chartered Accountants was held at *The Royal Hibernian Hotel*, Dublin, on November 18th. Mr John Love, F.C.A., Chairman of the Society, presided and introduced the guest speaker, Mr Owen J. Toole, a Past President of the Dublin Stock Exchange, to the sixty members and guests present.

Mr Toole gave an interesting talk on 'Take-over bids' with particular reference to recent events. He stressed that take-over bids were a necessary and often valuable feature of modern business conditions, and he referred to the report of the committee set up at the suggestion of the Governor of the Bank of England which, in general, did not favour any interference with free market forces. He emphasized that bids should normally be made through the board of directors in the first instance, but that, in the last analysis, the shareholders must be the final arbiters in deciding on the merits of all bids.

Mr Toole went on to refer to the various courses open to a board of directors determined to oppose a bid and pointed out that panic measures, such as sharp increases in dividends, might result in inquiries as to why, if now reasonable, this was not done before. The lesson to be learned was that boards of directors should take care that their companies' assets were not seriously undervalued in their balance sheets; it was also pointless to criticize take-over bids which had been made possible largely by the board's own policy in the past.

INTERNATIONAL FISCAL ASSOCIATION
United Kingdom Branch

'Duality of residence of limited companies' will be the subject of an address to be given by Mr Roy Borneman, Q.C., at the first meeting of the 1960 programme of the United Kingdom Branch of the International Fiscal Association to be held on January 12th.

Other meetings have been arranged as follows:

January 29th: Informal dinner.
February 10th: ' "Country of origin" in relation to income from movable capital and intangible property', by Mr E. B. Nortcliffe, overseas taxation manager of Unilever Ltd.
March 15th: 'A taxation code in a developing country (with special reference to the Central African Federation)', by Mr H. J. Hinves, F.C.I.S., taxation adviser to the Selection Trust Group.
April 21st: Address by Mr Leo T. Little, editor of *Accountancy*.
May 18th: Annual general meeting.

All the above meetings will be held in the P. & O. boardroom, 122 Leadenhall Street, London, EC3, at 6 p.m. The secretary of the United Kingdom Branch is Mr O. Brooks, 122 Leadenhall Street, London, EC3, from whom particulars of the activities of the Branch, together with further information about the work of the Association, may be obtained.

THE SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

'Stockbroking' was the subject of a talk given at a meeting of the South Wales and Monmouthshire Society of Chartered Accountants held last Tuesday. Further meetings to be held by the Society in the New Year are as follows:

January 26th: 'Automation in the office', by Mr O. W. Standingford, F.B.I.M., F.O.M.A.
February 17th: 'The secretary in the boardroom', by Mr S. G. Harpour, F.C.I.S., A.T.I.I., F.A.I.A.
March 16th: 'Take-over bids', by Mr Frank H. Jones, F.A.C.C.A., A.C.I.S.

All these meetings will take place at *The Mackworth Hotel*, Swansea, at 6.45 for 7 p.m.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, WC1, next Wednesday, at 6 p.m. for 6.30 p.m. Mr G. W. Scarlett, A.C.A., will lead the discussion on 'Company investigations'.

CENTRAL LONDON DISCUSSION GROUP

'The national pension scheme – to contract in or out?' will be the subject for discussion at a meeting of the Central London Discussion Group of the London and District Society of Chartered Accountants, to be held next Thursday, at 6 for 6.30 p.m., at *The Lamb and Flag*, 33 Rose Street (off Garrick Street), Covent Garden, London, WC2.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 6.30 for 7 p.m., at *Grosvenor House*, Park Lane, W1: Annual dinner.
Tuesday, Squash *v.* University College Hospital.
Wednesday, Visit to the head office of the Midland Bank (limited number).
Thursday, 7 p.m. at Reading: Lecture on 'Elements of company law', by Mr Spencer G. Maurice, Barrister-at-Law.
Friday, 11 p.m. at the Royal Festival Hall: Christmas Dance.

CHARTERED INSTITUTE OF SECRETARIES

Mr Ernest Long, F.C.I.S., F.I.M.T.A., has been elected President of the Chartered Institute of Secretaries for 1960.

Mr Long, who is a member of the Central Electricity Generating Board, was secretary of The Institute of Municipal Treasurers and Accountants from 1944–48 and chairman of The Royal Institute of Public Administration from 1949–50.

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

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CONTENTS

But Once a Year

IT has long been fashionable to be superior about Christmas: Christmas is commercialized, Christmas presents are tiresome, Christmas cards are overdone and meaningless, Christmas is not as good as it used to be. There must be many accountants well placed to observe just how vast the seasonal December spending spree has become, and how far back into the year Christmas now spreads its roots, with Christmas numbers appearing, as it seems, before the leaves are off the trees, and cards and calendars in preparation while the daffodils are still in flower. And some of them will have seen, in the last year or two, the beginning of a revulsion against the Christmas card in business, which has indeed shown signs of getting out of hand, exchanged too liberally on an *ex officio* rather than a properly personal footing. The company which this year announced that it would send none, making instead a substantial donation to charity, may set an example to be followed by other businesses which have found their card list doubling for no very good reason every two or three years.

But when all the valid criticisms have been made, the superior folk are still wrong. Christmas has been commercialized because great numbers of people like spending money at Christmas. Despite all the grumbling, most people like giving and receiving presents. No matter how serious a chore the cards may become, most people like sending and receiving Christmas cards. It may fairly be argued that as the religious essence of Christmas has become more and more neglected, the feast has lost its proper motive; but it is no bad thing that most people still enjoy Christmas and all its accessories, still regard it as a season of goodwill, still make greater efforts than usual to be on good terms with staffs, with neighbours or with families. We at least have no inhibitions about wishing our readers a merry Christmas; nor have we any doubt that the great majority of them, desiccated calculating machines though they may be regarded by the ignorant public, are willing in December to forgive us whatever faults they may have found in us in the past year, and reciprocate our very sincere good wishes.

Communication and the Accountant

by JAMES DON EDWARDS, Ph.D., C.P.A.,
Professor and Head, Department of Accounting and Financial Administration,
Michigan State University

THE communication of financial sales and production data is a major function of the accounting executive. Traditionally, the reporting instruments used in performing the communication function have been internal to the enterprise. However, there has been an increasing interest shown in techniques for both vertical and horizontal communication. The administrative accountant stands in the long line between the foreman in the shop and the company chairman and board of directors at the top, and he occupies a position parallel to a number of other functional administrators.

Smooth Flow of Financial Information

In designing the reports for the total business system, the accountant must keep paramount the necessity for a smooth flow of financial and economic data to and from the various levels of management. The measurement and communication of this data involves numerous segments of the total organization. For instance, revenue realization from the accountant's viewpoint is closely tied up with analysis of revenue for sales control purposes from the point of view of the sales executive. The same basic data may be used to prepare each of these analyses, but in both cases the reports have to communicate something more than historical information. Each report, regardless of the management level, must be mainly non-technical, with the emphasis on trends and variances, whether in money or units of product. The communication should be looking in a forward direction, rather than backward at the historical data only.

It becomes increasingly apparent, therefore, that the accountant should remove himself from the position of historian and accept his responsibility as an integral part of the management team. In the communication process, the accountant must design his reports and requests for information in such manner that the non-accountant will understand the fundamental purpose of the data, and how and why the information is needed. If the accountant is to accomplish and fulfil his objective of being of service to his fellow executives, he must go out of his way to understand their problems.

The use of accounting reports for control purposes places the accountant in the position of reporting negative results to the next level of management. In this regard the accountant must recognize the human relations problems inherent in the position he holds. An example of these problems is the use of the budget.

The complexities of the budget process and the involvement of varying numbers of people in the preparation of the final document raises the individual's expectations of management, and gives him the feeling of participation. At the same time, the results may or may not agree with the recommendations of the various line executives. On the other hand, the final budget document serves as one of the most effective instruments of authority in the enterprise. It serves also as a clear-cut means of communication, informing all concerned of what is expected of them. The policy formation has been quantified and approved at the various levels of movement from the foreman to the operating policy committee. All levels of management then have a basic measuring document to which they can refer, that will immediately indicate operating variances from the planned objectives. A conscientious effort should be made by the accountant to indicate the actionable variances from the planned objectives, as expressed in the budget, and at the same time he should not play the role of a suppressor of supervisory initiative.

The Accountant in the Management Team

The accountant's position as an integral member of the financial planning team also places him in the position of saying 'No' to operating executives for lack of financial resources. The communication between financial and other executives must be such that operating departments are clearly informed of the financial needs of the various functional elements of the enterprise, and of the necessity for allocation of the financial resources.

The accountant has a major role, as part of the management team, in co-ordinating and communicating operating management decisions. He must always be conscious of the human relations implications and impact of his internal operating reports and of his procedures for soliciting and disseminating information.

Single or Separate Business?

by T. J. SOPHIAN

THE question whether a person carries on a single business or several businesses has been for some time, and will continue to be, one of great practical importance. In the past, the point arose to a very large extent in connection with special wartime classes of tax, such as corporation profits tax and excess profits duty, for instance. Income tax and surtax, however, equally raise such problems, and their determination one way or the other may vitally affect the taxpayer on such issues, as to, for instance, whether there has been a discontinuance or a setting up of a new business, whether the carrying forward of losses is permissible, and so on.

There are at least two House of Lords decisions, and numerous other decisions of the Court of Appeal, and of Courts of first instance, some of the more important of which may be usefully examined.

House of Lords Cases

Gloucester Railway Carriage Co

In the *Gloucester Railway Carriage Co* case (4 A.T.C. 150; 12 T.C. 720) a company manufactured railway wagons, and dealt with them either by selling them outright or under hire-purchase agreements, or by hiring them. Occasionally wagons were bought for the hiring business, and any surplus from time to time was sold to the hiring department. The plant in question was never treated as part of the company's stock-in-trade. The wagons which were hired out were capitalized in the company's books at a sum which was added as profit of manufacture, and a certain amount was written off yearly for depreciation.

The company sold all the wagons which they used for letting out on hire, at prices higher than the sums at which they stood in the books. The Special Commissioners found that the business of the company was a single one, viz. to make a profit in one way or another out of manufacturing wagons.

It was held that the surplus realized on the sale of these wagons which had previously been let out on hire was a trade profit, and not a capital accretion, and was rightly taken into account in computing the company's assessment to corporation profits tax.

In commenting on this case, it might be pointed out that the business of the company appears to have been inaccurately described in the head-note to the Appeal Court's report, as a *manufacturing* business. Although the company manufactured, they also sold the products of their manufacture, and they also bought other wagons to use in addition to some of those manufactured by them in their hiring business. Their business was that of buying and selling wagons, as Lord Dunedin put it. That was one single business, and it made no difference that some part of their stock had been manufactured by them and others acquired by purchase from others.

South Behar Railway Co

The second House of Lords case, also a corporation profits tax case, is *South Behar Railway Co v. C.I.R.* (4 A.T.C. 139; 12 T.C. 657). The company was incorporated in 1895 to enter into a contract with the Secretary of State for India relating to the construction of a railway in India. The company by this contract was to find the money and materials for the construction which was to be undertaken by the Secretary of State through such agency as he should appoint, but at the risk and cost of the company. The Secretary of State, as from the opening of the railway and until the determination of the contract, was to work and maintain the railway, and was to retain a percentage of the gross receipts, the balance being the net earnings of the company. Upon the determination of the contract the company was to be recouped the capital expended by it on the construction with the authority of the Secretary of State.

By a supplemental contract made in 1906, after the railway had been opened, the company until the determination of the contract was to relinquish the railway to the Secretary of State in consideration of a fixed annuity in lieu of the percentage of earnings. Since the making of the agreement, the only business of the company was to receive the annuity and declare the dividends.

It was held that the company was 'carrying on a trade or business or an undertaking of a similar character, including the holding of invest-

ments', within Section 52 of the Finance Act, 1920, and was therefore liable to corporation profits tax.

Although the first purpose of the company, viz. to make advances and provide materials for the construction of the railway, was fulfilled, its second purpose, viz. to receive an income for its shareholders until the line was running and to distribute it amongst them, was still being fulfilled, and when the principal agreement came to an end, the company would have the further function of recovering and dividing the capital. The company accordingly was still carrying on a business or similar undertaking.

Extent of Contrast between Activities

The extent of the difference or contrast between the various activities being carried on is an important factor.

Thus in *C.I.R. v. Turnbull, Scott & Co* (3 A.T.C. 753; 12 T.C. 749), which is an excess profits tax case, the company carried on business as shipbrokers and managers of ships, remuneration being by commission. At the instance of the Ministry of Shipping they undertook the management of certain neutral ships commandeered during the war, and received as remuneration certain fixed sums.

The firm contended that the business of managing ships for the Government was exempted from excess profits tax by reason of the concluding words of Section 39 of the Finance Act (No. 2), 1915, as being that of an agent whose remuneration consisted wholly of a fixed and definite sum, not depending on the amount of business done or any other contingency, and that it had to be treated as separate from their ordinary agency business.

It was held, however, that there was no evidence that the management of the neutral ships was a separate business.

Rowlatt, J., referred to *Maxse's* case (12 T.C. 41), where the taxpayer was exercising the profession of a journalist and editor in editing and contributing to his own magazine, and also carrying on the business of publishing the magazine, and pointed out that there was a broad distinction between a profession and a commercial business, whereas in the present case, the distinction was between activities, the sole difference in which was the method of remuneration.

Reference may also be made to *Scales v. G. Thompson & Co Ltd* (13 T.C. 83), where it was held that there could be no interconnection between a shipowning business and the business of underwriting.

Method of Accounting, How Far Relevant

As to how far the method of accounting is of importance in determining such questions, one may with advantage refer to the observations of Pollock, M.R., in *Turnbull, Scott* (*supra*) at pages 762 and 763. Thus he said:

> 'In the accounts . . . no separate books were kept, no separate accounting period was formed, and no special identity was given to the business done in respect of [the Ministry's] ships. . . .
>
> 'There must be something in the nature of a wholly different business, severable and severed. . . .
>
> 'The accounts are the same, the accounts include these fees; as I have said, the accounting period is the same, and the actual management and brokering for the ships were the same only that there were superadded particular instructions in respect of the vessels.'

And he added:

> 'It was not a separate business . . . nor indeed a separate activity, for the same qualities, activities, responsibilities and experience required for the one fitted them for, and indeed were the cause of their being entrusted with the ships by the Ministry.'

Reference may also be made to *Howden Boiler & Armaments Co Ltd v. Stewart* (4 A.T.C. 129; 9 T.C. 205). In this case a firm of boilermakers, having secured a large shell contract, converted their business into a limited company with objects which included the carrying on of the trades of boilermaking, engineering and machinery, armaments and shell-making.

The shell manufacture was carried on in new premises erected for the purpose, adjacent to but having no intercommunication with the original boilermaking works, which continued to be used exclusively for the manufacture of boilers.

Each manufacture had its own separate plant, separate workmen, and technical and clerical staff, and separate set of books and trading accounts, but both were under the same general direction and management.

All the accounts were brought into one common profit and loss account and balance sheet, bank interest and management expenses being charged against the company generally without apportionment.

In April 1918 the manufacture of shells ceased, the staff was dispersed, the shell-making plant was

sold, and the premises used for shell-making were let.

The Commissioners held that the company had carried on one business with two departments, and not two businesses. It was held on appeal that there was evidence to support the findings and the Court could not review such findings.

This case therefore seems to show that even though there may be separate methods of accounting and conducting the various activities, yet if the profits and losses of the various activities are ultimately brought into a common profit and loss account and balance sheet, the prior separation of these accounts and activities will not necessarily militate against the view that the business is a single business.

This decision, moreover, brings into light the importance of distinguishing between the case of a single business with different departments on the one hand, and separate businesses.

Interval in Development of Business

When a company has power to carry on various activities which may be regarded as ancillary to each other, the fact that some activities are developed at a later stage will not prevent the business of the company being treated as a single one.

Thus in *Spiers & Son Ltd v. Ogden* (11 A.T.C. 330; 17 T.C. 117) a company was formed in 1908 to carry on the business of building and contracting. The memorandum conferred wide powers with regard to dealing in property.

The company originally confined itself to building for customers, but later bought land and erected buildings which it let to tenants and subsequently sold, and also bought, reconstructed and sold buildings and bought and sold property. It appears that in the past, sites were bought in 1911 (some three years afterwards) and a number of properties were bought and sold and developed in later years.

The Revenue sought to include in the company's profits the profits arising from sales of property. It was held that the company had from its incorporation carried on one trade only, of which the acquisition and sale of property was part and not a separate trade, and that the above profits were accordingly rightly included.

This case, therefore, may be regarded as having decided that, where there is power under the memorandum to develop a business, and that development does not take place till later years, that fact does not prevent the business from being treated as a single business, including the later activities which were undertaken.

Importance of Attempts to Sustain Business

The Court will attach considerable importance to attempts that may have been made to assist a moribund business to survive. Thus in *Kirk & Randall Ltd v. Dunn* (3 A.T.C. 185; 8 T.C. 663) a company had been formed to take over the business of a firm of contractors. Upon the outbreak of war in 1914 the company was engaged in completing old contracts, but obtained no fresh contracts. Their premises had in fact been closed down in 1913 and offered for sale without success until they were taken over and purchased by the War Office in December 1914.

From December 1914 until February 1920, the company had neither works nor plant, but persistent efforts were made during the period by the directors to obtain contracts. Early in 1920 fresh capital was introduced, and a different business policy was adopted, as the result of which fresh contracts began to be obtained and fresh plant was acquired.

Throughout its existence the company retained the registered office and held its statutory meetings, the secretary's salary and directors' fees were paid and substantial payments were made for expenses.

It was held there had been no discontinuance of the trade by the company and that a new trade was not set up and commenced in 1920.

With this case one may usefully contrast *Goff v. Osborne & Co (Sheffield) Ltd* (32 A.T.C. 262; 34 T.C. 441). The company carried on an electro-plating business and similar activities at premises which in 1939 were compulsorily acquired for slum clearance. The company soon after realized their book debts and prepared a balance sheet up to date. The balance sheet showed no assets except the formal entry for formation expenses. The company removed the registered office to their accountants' office, a fact which Vaisey, J., pointed out was equivalent to putting it on the shelf as much as any operation could be.

The shares were sold to C. who later transferred them to S. No appropriate returns were made and no meetings were held. The company moreover informed the Inspector that it was going out of business. In 1944 S. acquired a business from one F. This business consisted of the manufacture of brass castings and principally of ingots and plates. This business and the

premises at which it was carried on were later transferred to the company in or about 1944, since when the company carried on trading, the substantial part of which consisted of electro-plating and other activities similar to the company's original business.

The company claimed to carry forward the losses of its original business but the Court, on appeal, held that there was no evidence to support the Commissioners' findings that the company's trade was the same as it was in 1939 and that there had been no permanent discontinuance of that trade.

Effect of Cessation of Activity

The effect of the cessation of a particular activity on the rest of the business was considered in *Highland Railway Co v. Special Commissioners of Income Tax* (2 T.C. 151).

A company was empowered by an Act of 1877 to provide and use steam and other vessels. In 1880 the company discontinued the plying of its steamers between Strome Ferry and Skye and entered into an agreement with M. for the traffic, under which the company and M. were entitled to certain proportions of the traffic receipts. The company also worked the railway lines of the Sutherland Railway Company. The company had two steamers which carried the mails and also passenger and goods traffic between Thurso and Orkney. In June and December 1882, the company sold these two ships and this business was taken up entirely by another company on its own account. For the year 1883–84 the company was assessed by computation on the profits of the preceding year 1882–83.

The amount of those profits was £160,251 but the company sought to reduce that amount by deducting therefrom the loss of £1,167 they incurred in 1882–83 on the running of the above steamers, plus £440 as depreciation on steamers for the half-year to August 1882, after which the steamship undertaking was discontinued.

The Revenue, however, contended that neither of these deductions of £1,167 or £440 was permissible, on the ground that in the year of assessment 1883–84 the company was no longer engaged in sea carriage at all, and that the company's undertaking for that year 1883–84 was no longer an undertaking consisting partly of sea carriage and partly of land carriage, so that neither the profit nor the loss on the abandoned sea carriage part of the business could be taken into account.

Moreover, the company was not originally empowered by act of incorporation to engage in the business of sea carriage, that power having been conferred by a later statute. The Court held that the fact that a portion of the company's business (shipping carriage) having become unprofitable, had been dropped either permanently or for a time, did not have the effect of making the undertaking of the company something different from what it was.

Opening of New Branches

Whether the opening of a new branch constitutes a new business, or whether, on the other hand, it is merely a development of a single business was one of the points raised in *H. and G. Kinemas Ltd v. Cook* (12 A.T.C. 300; 18 T.C. 116), which appears to be a very unsatisfactory case.

Here a company was incorporated for the purpose of acquiring an existing cinema in Portsmouth, and of carrying on the business of cinema proprietors. Shortly after this acquisition, the company bought two sites in London on one of which a cinema was to be built. Five months later the company acquired the lease of a cinema in Southsea, and ten months later the Southsea and the Portsmouth cinemas were sold to another company as going concerns. Almost immediately afterwards the cinema which had been built on the London site was opened. This coincidence, however, was fortuitous.

It was contended that the company was carrying on a single business and that the various cinemas, including the new London cinema, were merely branches of that business. The Commissioners, however, held that a new trade was set up with the opening of the London cinema and on appeal the Court refused to disturb this finding.

It would appear from the judgment of Finlay, J., in this case, that the Commissioners might equally as well have arrived at an opposite conclusion, but that he was bound by the case stated (which incidentally he agreed as having been 'shortly' stated), and by the facts as so stated. As there was 'some evidence' upon which the Commissioners could have arrived at their finding, their finding could not be disturbed.

Conclusion

An attempt has been made to examine and consider the more important decisions on the question as to whether a single trade or more than one trade is being carried on. The above decisions, however, must not be regarded as exhaustive. Space alone, apart from any other consideration, would prevent the examination of other authorities on this troublesome point.

Accountants in Contemporary Fiction

by R. ROBERT, A.C.I.S.

PRIOR to the Second World War, the accountant as a fictional character was comparatively rare. Somerset Maugham introduced one into his novel, *Theatre*, and others are mentioned in several of his short stories. In the post-war era the picture has rather changed, and the accountant is fast becoming a stock character.

One uses the term 'stock' advisedly, for writers tend to present the public with the portrait of a vaguely antipathetic type – a human calculating machine, with few thoughts beyond the profit and loss account. Take, for example, the chartered accountant who haunts the background of J. B. Priestley's novel, *The Magicians*, (1954). Chapter 1 takes us to a board meeting of the New Central Electric Company. The proceedings are largely concerned with the elevation of a Mr Selby to the position of managing director. But this appointment profoundly disturbs another director, Sir Charles Ravenstreet, who has served the company long and faithfully as an electrical engineer, and because he would have to work under Selby, as production manager, he resigns.

'Financial Man'

Critical and embittered, he cannot see why the company should choose a managing director who is neither an electrical engineer nor an industrialist – indeed, not a producer at all! 'It would be all the same to him if he were marketing safety-pins or dried fruit.' Selby, in short, is merely a 'financial man', and as such obviously to be despised. Sir Charles's father-in-law and fellow director tries to wheedle him into a happier mood and into withdrawing the resignation.

Over drinks at the club the older man puts forward the view that Selby is the type most needed in the business world of today. 'It's not the maker, but the manipulator, the "jumped up accountant" who sits on top.' Sir Charles Ravenstreet is not won over by the argument and insists on severing his connections, and so gets *The Magicians* off to an intriguing start.

Another accountant, in practice this time, is to be met in the pages of *A Perfect Woman*, by L. P. Hartley, a contemporary fictionist of note; while Grahame Greene in his novel, *Loser Takes All*, tells the story of an accountant who is whisked to Monte Carlo, and applies his mathematical abilities to the problem of 'breaking the bank'.

Among the more recent offerings with an accountancy flavour is *The Man in the Barrel*, published only last year. Anthony Nayman, a new author with an exhuberant comic talent, relates the adventures of a young audit clerk who comes to London from the provinces. The book is rambling, and the author, though blessed with original ideas, has obviously still to find his feet. However, he does manage to wring laughter – always welcome – from balance sheets and the men responsible for their preparation.

Audit Detection

In *The Bank Audit*, Bruce Marshall writes with the expert knowledge of one trained in the profession and presents a vivid impression of an entire audit team at work and play. The plot revolves round the efforts of a firm of British chartered accountants to discover the fraud being perpetrated on an Anglo-French bank. Paris is the stage, and the novel gives us not only plenty of suspense and opportunities for armchair detection, but a racy picture of French life. None of the characters in *The Bank Audit* are particularly endearing, but all are interesting and alive.

The falsification of accounts is also an essential ingredient in the plot of *The Speaking Eye*, a book with an unusual industrial background. Both the author, Clark Smith, and the detective in it, are chartered accountants.

Room at the Top is a current best-seller which has brought its author, John Braine, both fame and fortune. We are introduced to Joe Lampton, an 'angry young man' who, hating his working-class environment, his broad accent, and lack of social standing, is determined to 'get on'. Having found himself a job in a borough treasurer's department, he moves to another, and more prosperous, part of the north country. One gathers that whilst in a prisoner-of-war camp he passed 'the C.S. examination'. Later on in the book, it transpires that he is studying to qualify as a 'C.W.A.' – that is to say, when not busily engaged in other and more exciting activities! Joe Lampton's morals are pretty free and easy, but he succeeds through his very faults and ends up by marrying the wealthy tycoon's daughter! Not a typical accountant, of course, but his philanderings make very good reading.

A Christmas Remembrance

The answers to these general knowledge questions are given elsewhere in this issue.

Architectural

1. Of what stone are the cathedrals of Hereford, Chester, Liverpool and Carlisle built?
2. Who designed (*a*) the Royal Hospital at Chelsea (*b*) the Crystal Palace (*c*) the Albert Memorial?
3. What sculptor's masterpiece are the three bronze doors of the Baptistery at Florence?
4. Who is the patron saint of masons and architects?
5. Of what do the architrave, the frieze and the cornice form part?
6. Who originated and what is the Palladian style of architecture?

Astronomical

7. What is the opposite of microcosm or little world?
8. What was the Copernican theory?
9. In what constellation are the stars Betelgeux and Rigel?
10. What is an astrolabe?
11. What is the distance from the centre of the earth to the centre of the moon?

Canonical

12. What Scotsman was elected a cardinal this year?
13. Which is the smallest episcopal city in England?
14. What is the meaning of antilegomena and its opposite homologoumena?
15. What was the Hegira and what did it inaugurate?
16. What religious movement had its headquarters at Port Royal, near Versailles?

Diabolical

17. Who wrote (*a*) *The White Devil* (*b*) *The Devil's Disciple* (*c*) *The Sorrows of Satan*?
18. Who was Robert le Diable?
19. Where, in Britain, is (*a*) the Devil's Dyke (*b*) the Devil's Throat (*c*) the Devil's Elbow?
20. Who, in the New Testament, is referred to as 'the prince of the devils'?

Financial

21. What, in the City of London, is known as the 'Trial of the Pyx'?
22. What, in Stock Exchange slang, is a kite?
23. Who stigmatized economics as 'the dismal science'?
24. What was the Telluson Act of 1800?
25. Who is the present Comptroller and Auditor-General?
26. What, in American slang, is the meaning of gold bricking?

Gastronomical

27. In what country would you be likely to eat (*a*) moussaka (*b*) tortillas (*c*) ghee?
28. In what country would you be likely to drink (*a*) Carcavellos (*b*) Kardinal (*c*) Pisco?
29. To what wines are the terms 'spâtlese' and 'auslese' applied and what do they signify?
30. What is zabaglione?
31. How did the sandwich get its name?

Geographical

32. What is the capital city of the following British dependencies: (*a*) Fiji (*b*) Uganda (*c*) Northern Rhodesia?
33. What are the ten provinces of Canada?
34. What is the county town of (*a*) Pembrokeshire (*b*) Caithness (*c*) Fermanagh?
35. What, next to Yorkshire, are the three largest English counties in area?
36. What are the eleven 'new towns' of England?
37. What are the opposite London Green Line coach route termini (all starting with 'H') to (*a*) Chertsey (*b*) East Grinstead (*c*) Guildford?

Historical

38. Which six males come next to the Sovereign in order of precedence in England?
39. Who was on the British throne at the time of the battle of Minden?
40. What English politician was assassinated in Phoenix Park, Dublin, in 1882?
41. What was the name given to a group of statesmen who exercised great influence on public affairs during the reign of William III?
42. When was the battle of Talavera?

Horticultural

43. What is chlorophyll?

44. What is the term applied to flowers that open at night?
45. Who planted an oak tree and a mulberry tree on October 17th, 1959, and in what grounds?
46. What colours are the following variety of rose – (*a*) Margaret McGredy (*b*) Frau Karl Druschki (*c*) Dorothy Perkins?

Juridical

47. Where may be found the only account of the long drawn out Chancery suit of *Jarndyce v. Jarndyce*?
48. Who is the present Master of the Rolls?
49. Who are the nine Lords of Appeal in Ordinary?

Mathematical

50. What is the standard test of a one horse-power engine?
51. What is the number of (*a*) noggins in a pint (*b*) grains in a pennyweight (*c*) millimetres in a kilometre?
52. Who share the honour of having discovered the calculus?
53. What is measured in (*a*) trusses (*b*) crans (*c*) skeins?
54. What is the derivation of the phrase 'according to Cocker'?

Matrimonial

55. What novel begins – 'It is a truth universally acknowledged that a single man in possession of a good fortune must be in want of a wife'?
56. Who was regarded in Hebrew tradition as a spirit of matrimonial jealousy?
57. What character in modern fiction sold his wife for five guineas?
58. Who said –
    'Dear is the memory of our wedded lives,
    And dear the last embraces of our wives'?
59. What is a jactitation of marriage?

Musical

60. What plays begin –
    (*a*) 'If music be the food of love play on'.
    (*b*) 'Music hath charms to soothe a savage breast'?
61. What organization did Thomas Henry Huxley refer to as 'militant missionaries of a somewhat corybantic Christianity'?
62. What is the only Gilbert and Sullivan opera in which the entire text is sung?
63. Who is regarded as the first great master of opera and what was his first work?

Nautical

64. What happened to the fourth last of the ten little nigger boys?
65. What is a pickerel?
66. In what novels do the following ships appear (*a*) *Patna* (*b*) *Hispaniola* (*c*) *Pequod*?
67. What did the war-time initials P.L.U.T.O. stand for?
68. What is ichthyology?
69. What is the longest ship canal in the world?

Nonsensical

70. What happened to the young man of Devizes whose ears were of different sizes?
71. In what Shakespearean play do the two clownish servants Speed and Launce appear?
72. What essayist said – 'I love a Fool – as naturally as if I were kith and kin to him'?
73. Who lived –
    'On the coast of Coromandel
    Where the early pumpkins blow'?
74. In what country and by whom was it recently stated – 'Today, the politically untrained clown cannot be a good clown'?

Poetical

75. What line follows and rhymes with –
    'Winds of the world, give answer! They are whispering to and fro'
    – and who wrote it?
76. Who were the three Lake poets?
77. Who was the poet's poet?
78. Who was the Poet Laureate before John Masefield?
79. What modern poem ends –
    'We sat in the car park till twenty to one
    And now I'm engaged to Miss Joan Hunter Dunn'?

Political

80. Who is always the first commoner in the country?
81. What Prime Minister was murdered in (*a*) 1812 (*b*) 1959?
82. For what other stewardship besides that of the Chiltern Hundreds can a Member of Parliament apply when he wishes to resign his seat?
83. Who is the (*a*) President of Italy (*b*) Foreign Minister of Federal Germany (*c*) Prime Minister of France?
84. What was the doctrine of distributism, advocated by Hilaire Belloc and G. K. Chesterton?

85. Who were the four Prime Ministers of the reign of Edward VII?

Symbolical

86. What is a fylfot?
87. What is the design of a Celtic cross?
88. What are the heraldic names for (*a*) black (*b*) blue (*c*) green and what do these colours signify in blazonry?
89. What is steganography?
90. What symbols are used on road signs to indicate (*a*) a level crossing with no gates (*b*) a hospital?

Theatrical

91. Who wrote (*a*) *The Waltz of the Toreadors* (*b*) *The Rose Tattoo* (*c*) *The Queen and the Rebels*?
92. In what play, now running in London, is there a character called Miss Tina Bordereau and what actress plays the part?
93. Who played the parts of Professor Higgins and Liza Doolittle in the first London production of Bernard Shaw's *Pygmalion*?
94. What are the three Theban plays of Sophocles?
95. What London theatre, hit by a bomb in 1940, reopened this year?

Zoological

96. To what animals do the following collective nouns apply – (*a*) a sloth of . . . (*b*) a shrewdness of . . . (*c*) a rag of . . .?
97. Who said – 'God shield us – a lion among ladies is a most dreadful thing'?
98. What poetical cat was drowned in a bowl of goldfish?
99. 'Go anywhere in England where there are natural, wholesome, contented, and really nice English people; and what do you always find?' What, according to Bernard Shaw, do you always find?
100. Who wrote a book on bullfighting called *Death in the Afternoon*?

Compiling an Examination Syllabus

by PASQUINO

Proceedings of The Lunar Society of Accountants

Scene: *The Council Chamber. The Committee on 'Revision of the Examination Syllabus' is sitting. Feste in the chair.*

FESTE: Now let us get back to the examination syllabus. You remember we were busy on – what did we call it? – 'Business administration'. Yes, that is a good title. With a title like that we can include almost anything that comes into our heads.

SECRETARY: Er . . . .

DOGBERRY: I think we should really go to town on this subject. I have thought up a new item – 'electronic computers'.

SHALLOW: 'Electronic computers' – what's that?

VERGES: I don't know. Perhaps Dogberry knows. Some new kind of adding machine, is it? How many lectures should we allow for that?

DOGBERRY: Eight or nine, I would think.

FESTE: Make it eight. How many lectures now, Gobbo?

GOBBO: 184 so far.

DOGBERRY: I have another item – 'Organizational structures'.

FESTE: Oh, jolly good! Well done, Dogberry.

SHALLOW: I call to mind when . . .

FESTE: Do be quiet, Shallow – we are on to one of the best items yet. We'll put 'Organizational structures' in – let us put it in twice.

GOBBO: I like 'Organizational structures', but couldn't we make it 'The general principles, basic concepts and integration of organizational structures'. I like 'integration' too – it sounds well along with 'organizational'.

FESTE: It's good, yes, but I think we'll keep 'integration' for somewhere else. We'll just stick to 'organizational structures'. We must keep it simple. I am all against jargon.

Let's just say 'organizational structures'. What about it then – four lectures shall we say? Is that agreed? What do you make it now, Gobbo?

GOBBO: 187.

TRINCULO: I thought of an item – 'Marketing and sales management'. I think the accountant should always be sales manager, too, and in charge of the advertising department as well. About the fourteen mark for lectures I would think.

SECRETARY: But . . .

SHALLOW: Fourteen – yes, I dare say. It reminds me of when I . . .

FESTE: You know what I think we'll do. We'll add 'Advertising and publicity'. It's modern, you know. I remember when I advertised for an audit clerk – but never mind – I'll tell you some other time. We'll include it. How many lectures do you think – eight or so?

GOBBO: Yes, say eight – that makes 209.

VERGES: When I was falling over to sleep last night something kept meandering round my head – it sounded like 'security function and appraisal function' – 'security function, appraisal function'. It was like being in a train going over the sleepers. You know, it lulled me off to sleep. Think it is any good?

SHALLOW: What's that you said – 'functional function'? – yes, I think that's very good.

VERGES: Come along now, Shallow – I didn't say 'functional function' – though I don't say that you might not have stumbled on to a good item. 'Functional function' – you know, Shallow, I rather like . . .

FESTE: All right leave it just now – let's add Verges's item. How many lectures do you think?

GOBBO: None. 'Security function, appraisal function'. Mind you, it sounds well, but it doesn't really mean anything. Let's just put it in but not make any allowance for lectures. We are still at 209.

DOGBERRY: I have a few more items. We might as well use them. They won't take up much room when the syllabus is printed. 'Stock control' and . . .

SECRETARY: Just a minute – big books have been written about 'Stock control'.

DOGBERRY: Never mind. Let's just put it in. And, 'Work study', and 'Personnel management'.

SECRETARY: There you go again – that is a subject in itself.

DOGBERRY: What's the odds – it's only a couple of words in the syllabus. What do you think, Feste?

FESTE: O.K. with me. Anything that looks good is O.K. with me. What I say is this, 'Why leave *anything* out?' And another thing, I think that nearly all these items should go somewhere in the examination syllabus twice, twice at least. I say 'Put them in all over the place'.

GOBBO: Right.

FESTE: What shall we say then – another eighteen lectures?

SECRETARY: Er . . . .

GOBBO: Seems all right to me.

FESTE: Tell me what you think of these. 'Social responsibilities', and 'The principles of pre-production planning'. I think we could re-orientate it like this – 'Presentation of the preliminary principles and practice of preparatory ante-pre-production policy, planning and procedure'. Keep it clear and straightforward like that. No jargon. But we'll leave that just now. Let's have a word with Gobbo. I believe you are up to 227. That means that students who go to lectures will need 227 lectures so far for this subject. Say, one lecture a week for thirty weeks each winter– that's nine winters, isn't it?

DOGBERRY: Four, I make it.

VERGES: Eight, I think.

FESTE: Never mind, – I'll get one of the young chaps at the office to work it out.

SHALLOW: Talking about young chaps – I remember when I . . .

FESTE: You'll have to be quick, Shallow. I'm going for lunch.

SHALLOW: So am I. I was saying – I remember when I was a young fellow – when I was a young – when I – you know I've forgotten what I was going to say. It was something about the examinations when we were young. Oh dear! I don't think my memory is as good as it used to be.

ALL: Cheer up, Shallow. You are no worse than any of us.

Weekly Notes

Company Law Committee Members

THE names of those appointed to serve on the Company Law Committee under the chairmanship of Lord Jenkins have now been announced and include those of Mr W. H. Lawson, C.B.E., B.A., F.C.A., and Mr William Watson, C.A.

Mr Lawson, a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, who was President of The Institute of Chartered Accountants in England and Wales in 1957–58, has been referred to as the 'architect of integration', for as chairman of the Institute's integration committee it was under his guidance that the merging of The Society of Incorporated Accountants with the English, Scottish and Irish Institutes was so successfully accomplished. Mr Lawson was recently appointed by the Registrar of Building Societies to inquire into the affairs of the State Building Society. He is also a member of the Royal Commission on Local Government in Greater London. Mr Watson, a member of The Institute of Chartered Accountants of Scotland, is treasurer and a director of the Bank of Scotland. He was a member of the Council of the Scottish Institute in 1950–1952.


Mr W. H. Lawson

The other members of the committee are:

Mr F. R. Althaus, deputy chairman of the Council of the Stock Exchange and partner in Pember & Boyle, Stockbrokers, London.

Mr E. A. Bingen, deputy chairman, Imperial Chemical Industries Ltd.

Mr Leslie Brown, secretary and chief investment manager, Prudential Assurance Co, London.

Sir George Erskine, C.B.E., managing director, Morgan Grenfell & Co Ltd, London.

Professor L. C. B. Gower, M.B.E., Professor of Commercial Law in the University of London.

Mr J. A. Lumsden, M.B.E., partner in Maclay, Murray & Spens, Solicitors, Glasgow.

Mr K. W. Mackinnon, Q.C., T.D., M.B.E., Bencher of Middle Temple, London.

Mrs M. Naylor, financial journalist.

Mr G. W. H. Richardson, director, J. Henry Schroder & Co Ltd, London.

Mr Hilary Scott, partner, Slaughter & May, Solicitors, London.

Mr R. Smith, secretary, Union of Post Office Workers, London.

The secretary of the committee is Mr P. E. Thornton, of the Board of Trade.

It will be the task of the committee to review the general field of the creation, operation and dissolution of companies, the protection of the public in their capacity as shareholders and auditors, and the regulation of dealers in securities.

Building societies, which have their own legislation, will not come within the purview of the committee. As has already been announced new legislation concerning building societies is to be introduced into Parliament this session.

Share-owning Motives

A SIGNIFICANT trend in the field of stock exchange investment has been the steady broadening of the ownership of equity shares in recent years. General evidence of this growth is provided by the registers of the many public companies whose share-owners have been increasing in number simultaneously with the reduction in the average holdings of their equities; the inflow, direct or through banks and other agencies, of business to stockbrokers; and, of no little moment, the ever-enlarging readership of newspaper city columns and use of investment advisory services. This has been backed up by the spectacular response to block and other offers by unit trusts.

So far the growth in the number of small investors has had to be accepted more or less as one of the reflections of the raising of the general income level and the desire to protect savings against the ravages of inflation. Some stimulation also has come from the launching of various types of employee-shareholding schemes. Now, thanks to a survey made by the Acton Society Trust, a non-profit making and independent research body, it is possible to get some insight into the extent of and motives stimulating such investment. The results, based on information supplied by 1,600 small investors from all walks of life and over 200 workers in five company schemes, are summarized and discussed in a ninety-six page report entitled *Wider Shareholding*[1].

While we shall be reviewing the report in more detail in our next issue, it is noteworthy here that men predominate in the small investor class, more than half of them make their first investment without seeking advice and the factors mainly responsible for the move are study (58 per cent), newspapers (42 per cent) and advertisements (28 per cent). The survey found little evidence of political or moral opposition to share-ownership, though many of the older and lower-paid respondents had no interest in it.

[1] Acton Society Trust, 39 Welbeck Street, London, W1. 8s 6d net, 9s by post.

Budget Advice

THE first body to publish its advice to the Chancellor about the next Budget is the Association of British Chambers of Commerce. It accepts his estimate of the present economic position as being reasonably favourable (though with still some danger of inflation) and as requiring a reduction of prices where possible. With these two thoughts in mind it makes a number of suggestions which seem to be eminently reasonable and desirable. The first and probably most expensive is a reduction of threepence in the standard rate of income tax, with corresponding reductions of the reduced rates; this to help companies to plough back profits and individuals to save out of income.

While approving the Chancellor's policy of gradual reductions in rates of purchase tax, the Association would like to see its removal from articles used in commerce or industry. The well-worn plea is reiterated for a change in surtax rates to reflect the fall in the value of money. A raising of the minimum, or the extension of earned income relief to surtax, are put forward as alternatives. In estate duty the Association would like to see the surtax 'slab' system adopted, or a straight reduction of rates, particularly in the range of £40,000 to £300,000. It also asks for repeal or modification of the system of valuing shares in certain cases by reference to the company's assets. An undertaking not to remove investment allowances during the life of the present Parliament is sought; the point being made that investment is often made pursuant to a long-term plan. The Association reiterate the request for depreciation allowances on commercial buildings. It also asks that the Chancellor should implement a scheme for the deferment of tax on companies trading abroad which do not qualify as overseas trading corporations. The scheme has been put to the Inland Revenue and is said to meet the difficulties as to tax avoidance.

Finally the Association urges the removal of the tax on light hydrocarbon oils used in industrial processes.

Extent of Wear and Tear Exceptions

MANY leases contain repairing covenants under which the tenant is required to keep the premises in a specified state of repair, and to yield them up so repaired together with a number of specified items, usually consisting of landlord's fixtures – 'fair wear and tear excepted'. Does this exception govern the whole of the premises and the fixtures as well, or is it to be limited only to the fixtures?

This question was recently raised in the case of *City Corporation v. Black* (December 1st, 1959), and was decided in the landlord's favour. The material covenant in that case was in substance to keep the premises in a specified state of repair and to yield them up in that state

> 'together with all such doors, locks, keys, bolts, bars, glazed windows . . . and such other materials and things as now are or at any time hereafter . . . shall be set up and fixed within upon or about the demised premises or any part thereof whole and undefaced (reasonable use and wearing in the meantime only excepted)'.

The Court held that this exception governed only the doors, locks, keys, etc., which accordingly had to be rendered up 'whole and undefaced', subject, however, to reasonable use and wearing. This decision therefore should be carefully borne in mind in considering the extent of the repairing obligations under such covenants.

House of Lords Disapproves Macnaghten Dictum

LORD MACNAGHTEN is famous for his dictum that income tax is a tax on income. One of his hardly less well-known dicta has however been disapproved this week by the House of Lords in *Public Trustee v. Commissioners of Inland Revenue* (*The Times*, December 15th). This is his dictum in *Cowley v. Commissioners of Inland Revenue* [1899] A.C. 198 to the effect that Sections 1 and 2 of the Finance Act, 1894, (which impose estate duty on property 'passing' and property 'deemed to pass' respectively) were mutually exclusive. Almost exactly four years ago Lord Radcliffe stigmatized this dictum as one of the minor mysteries of the law (*Re Hall, Sanderson v. Commissioners of Inland Revenue* (34 A.T.C. 316); now the House of Lords has refused to apply it.

The case arose out of the death of a Mr Arnholz who was a trustee of the will of the late Lord Northcliffe and entitled during his lifetime to three of the forty-nine and a half shares into which the estate was divided. The will was expressed as giving the income in respect of Mr Arnholz's acting as executor and trustee and as remuneration therefor. In 1929 it was held that on the death of any income beneficiary a corresponding slice of the estate actually 'passed' for estate duty purposes within Section 1 of the Finance Act, 1894.

The Court of Appeal (reversing Mr Justice Danckwerts) and purporting to follow *Re Duke of Norfolk's Will Trusts* (29 A.T.C. 7) held that since Section 1 applied, exemption contained in Section 2 could not be claimed. Accordingly, the exemption in Section 2 (*l*) (*b*) in favour of the holder of an office did not apply.

Viscount Simonds, speaking in favour of allowing the taxpayer's appeal from this decision, said that if he were looking at the two sections for the first time he would say that they were straightforward and clear; the first imposing the charge and the second defining by inclusion and exclusion the precise area of that charge. It would appear wholly untenable to say that the exemption for the holder of an office did not apply where he held the office for life. His lordship doubted whether in the whole realm of taxation there was anything quite so fantastic as that

distinction. He could only think that Lord Macnaghten's dictum in *Cowley v. Commissioners of Inland Revenue* was made *per incuriam*. If he might be forgiven for saying so, observations so patently wrong, unnecessary to the decision in *Cowley*, flatly contradicted in 1924 by Lord Haldane the source of endless doubt and confusion to all concerned with this branch of the law – all these factors led his lordship to the conclusion that he could properly invite the House to say that Sections 1 and 2 were not mutually exclusive and that the excepting words in Section 2 (1) (*b*) were operative in regard to property which fell within that subsection, even though that property might also fall within the wide words of Section 1. The words of the Act and of the will were clear. He would allow the appeal.

Lord Radcliffe and Lord Cohen delivered concurring speeches. Lord Keith of Avonholm dissented.

The Crowther Report

THE report '15 to 18' of the Central Advisory Council for Education (England), prepared under the chairmanship of Sir Geoffrey Crowther, will provoke a good deal of discussion. The terms of reference were, briefly, to examine the educational needs of boys and girls between 15 and 18 with special regard to the balance of general and specialized studies. This was to be done against a background of the need of individual citizens in today's changing society. The report is noteworthy for its clarity, its practical recommendations and its willingness to go into the question of cost with some thoroughness.

From a number of recommendations it is possible to take only two of the main ones in a short note. The report is much concerned with two problems. The first of these is the need to modify the degree of specialization in grammar schools, a development which the council think is forcing children to concentrate on too narrow a range of subjects too early in their careers mainly because sixth form work is related closely to university entrance requirements. They would have children's curricula kept as broad as possible up to 'O' level and thereafter a sensible degree of specialization up to 'A' level. They would not favour children trying for too many subjects at 'A' level. This line of thought is broadly in line with the thinking of those who have to watch over the educational curricula of the main professional bodies.

The second main theme of the report is the need to improve the educational facilities of those who will become skilled men and technicians – not technologists or professional people. In their analysis, the council are very much in line with a good deal of constructive criticism in recent years that our educational system at a time of rapid technical change is geared notably to stimulating and training more people who will become professional people, top managers and technologists while the middle ranges of the industrial structure are recruited from those who are tied to out-of-date and inadequate apprenticeship systems and evening class curricula. Probably the most controversial part of the report is concerned with improving the educational facilities for those recruits who will come mainly from secondary modern schools. The report endorses wholeheartedly sandwich courses of the right kind but its recommendations that county colleges in a few large areas should have to cope with compulsory attendance of those aged 16 and 17 has already caused controversy. This recommendation follows on from the report's suggestion that the school-leaving age should be compulsorily raised to 16 between 1965 and 1969 when the secondary school population is expected to be 'a valley between two peak periods'.

Payment of Wages by Cheque

A FURTHER step towards the implementation of the legislation outlined in the Queen's Speech at the Opening of Parliament was taken last Tuesday when the Government published its Payment of Wages Bill. The principal object of the Bill is to allow manual workers who so desire to have their wages paid to them by cheque or into a banking account.

The Bill is expected to be presented to the House of Commons during May or June next and the Government hopes it will come into force early in 1961.

Requests for all or part of the wages to be paid into a bank account will have to be made by the employee in writing. The scheme is conditional on the employer's agreement, but the employer will not be able to initiate it. The arrangement may be terminated at any time by either employer or worker on fourteen days' notice being given in writing. An exception to the provision that the arrangement can only be made at the employee's request is that employers will always be permitted to pay a worker's wages by postal or money order if he is away on official duties or absent through sickness or injury.

This latter provision will become effective one month after the Bill is passed, and the other provisions, except those for payment by cheque, will come into force six months after.

Payment of wages by cheque will become legal on a day to be appointed by the Minister of Labour, after an interval of time has been allowed to see what response there is likely to be from employees paid by cheque.

Farm Finance

AT a conference of the Agricultural Economics Society in Harrogate last week-end, Mr George Course, of Barclays Bank, Winchester, gave a paper entitled 'The local banks in relation to the financing of agriculture'. The paper was of particular interest

because Mr Course explained various bankers' methods and techniques for evaluating the credit-worthiness of applicants. One such indicator is the comparison of annual turnover with the average bank balance, for example:

	A Viable Farmer		A Struggling Farmer	
	Turnover	Average balance	Turnover	Average balance
	£	£	£	£
1956	9,000	1,900	8,750	1,900
1957	10,156	1,750	9,000	2,300
1958	11,275	1,450	9,000	2,700

Mr Course stated that farmers who fell into the first category presented no problem and their overdraft requirements, when reviewed annually, could be settled quickly. Those who fell into the second group did, however, present a problem, particularly because they invariably needed more money and seldom asked for sufficient to meet their requirements.

The speaker referred to the value of 'Forward accounts' which were of great assistance in such cases (an article describing their use appeared in *The Accountant* of May 29th, 1954) and examples of the system were circulated to conference members at the subsequent discussion.

This Is My Life . . .

by AN INDUSTRIOUS ACCOUNTANT

CHAPTER 3

WITH the Christmas feeling in the air, I capitalized on the goodwill-to-men spirit and conscious that I had offended our auditor by tactless criticism of his accounts format, I decided to make amends by inviting him out to dinner. He seemed reluctant to come, so with deep wiliness, I explained that I wanted his advice on some tricky points and ultimately he accepted.

The conversation rather flagged at first. He seemed aloof, in spite of turkey and tasty incidentals washed down with Gaelic coffee. I felt poles apart as he explained the respective professional functions of the watchdog and the bloodhound, and I queried gloomily why some auditors seem to model themselves on the *Hound of the Baskervilles*. The question metamorphosed him suddenly into enthusiastic fellowship.

Yes, he was a Holmes fan, one of the true Baker Street devotees, and as a one-time Conan Doyle follower I was little behind him. We swopped quotations with enthusiasm, and toasted Sherlock as an auditor strayed from the fold. My guest, mellowing rapidly, introduced me to his club and his favourite Cockburn, and revealed a remarkable gift for mimicry. His imitation of our chairman, skilfully evading a request for increased audit fees, was a masterpiece of slander. (Memo: ask chairman tomorrow to increase the auditors' remuneration.)

Later still, with a gleam in his eye, he unmasked his surprise: a draft for a new format of accounts; with tabulated analyses, percentages, profit trends, departmental costings, etc.; a masterly exposition, all that a board could dream of. Our previous chairman, he explained blandly, had rejected the design as being too radical.

The said chairman, I gathered, belonged to that stern school that believed in monopolizing the data. *L'etat, c'est moi.* Separate accounts for shareholders, fellow-directors, Revenue Commissioners, and chairman, was his idea of a master-plan.

Perhaps, suggested our auditor, we could introduce the new pattern this year. 'Holmes,' I cried, genuinely stirred, 'this is marvellous.' 'Elementary, my dear Watson,' he replied. 'You know my methods. Apply them.'

We re-shaped the layout with some brilliant amendments, while the club revelry swelled to a crescendo around us. We discovered that the nationality of accountants may be determined by their posture while celebrating. The English grouped around the piano, arms around one another's shoulders, and sang tragedies like *Nellie Dean* with hilarity; the Scots stood sternly upright, and became gradually heartbroken over such geographical features as lochs and islands; the only Welshman present sang with tremendous emotional intensity, but no one knew what he was singing about; those from Ireland covered the widest range of all, but broke off in the most melodious moments to get involved in arguments.

We two alone maintained professional dignity by discussing balance sheets, and only relaxed when I won a bottle of port in the raffle.

* * * * *

WE parted with mutual esteem, and I dreamed that night that our new layout won *The Accountant* Annual Award. In perpetuo, of course. I was going to Buckingham Palace to be decorated, riding on a gigantic hound . . . the sentries wore deer-stalkers and presented arms with silver candelabra. . . . Father Christmas was shaking me by the shoulder. . . .

. . . It was morning. My wife was telling me that the bottle of port had leaked in my brief-case, and the masterpiece was illegible pulp. 'A study in scarlet,' as Sherlock once remarked.

My colleague will doubtless have a file copy of the original, but the highlights improvised during our wassail are gone for ever.

Finance and Commerce

Hire-purchase Accounts

THE accounts to June 30th, 1959, of New Day Furnishing Stores, Ltd, provide the subject for this week's reprint. The main emphasis of the business is on furniture retailing, but there has more recently been an extension into radio, television and household appliances, and also into the grocery trade, through the Blowers Supermarkets subsidiary.

As might be expected, much of the business is on hire-purchase and the results shown for the year under review give a strong example of that important item in hire-purchase accounts: 'Adjustment of unearned profit on uncompleted hire-purchase transactions'. Trading profit, as will be seen, came out at £1,046,949, but the adjustment for 'unearned' amounted to £926,676 and the final benefit in the accounts of a year of hire-purchase boom were comparatively insignificant.

The chairman, Mr Oliver Frost, terms the results 'abnormal', as will be immediately apparent by the comparison with the previous year's figures. He reminds shareholders of the profit formula used – the carrying forward of unrealized profits – and points out that in last year's accounts, the same formula resulted in a credit to profit and loss account of £61,277.

Accounting System

It is an inherent factor in hire-purchase trading, says Mr Frost, that when business is increasing, a large part of the profits on contracts currently entered into have to be projected into future years. In certain cases there may be valid reasons for altering the basis of calculation so as to reflect more closely the results of a particular year's trading, but after careful consideration of the matter, the board decided not to change the method of assessment which the company has always employed.

The system, Mr Frost points out, stood the company in good stead during the last few years when the hire-purchase restrictions were operating, and had it not been for the substantial nest-egg of unearned profit standing in the books in 1955 when restrictions were imposed, the business would not have been in the strong position in which it is today

While, however, the accounts of the company reflect the vagaries of hire-purchase business, largely produced, as will be realized, by official control, restriction, and de-restriction, the shareholders' path has been levelled out by drawing on reserves.

Sales in the first four months of the current financial year have exceeded estimates and the management, Mr Frost states, is budgeting to maintain a steady level of business for the remainder of the year

Too Low

IN his annual statement, Mr J. D. H. Sheridan, chairman of Strand Electric Holdings Ltd, has told shareholders that he thought the price of the shares (at that time, 13*s* 9*d*) undervalued the company's equity. The shares, he stated, have always been regarded as speculative, and it is true that in its early days the company was closely associated with the professional theatre which, undoubtedly, had a speculative reputation. But though that association continues, the company has now much wider interests.

The point has now been reached where, after 'ploughing back' for many years, the directors consider a higher dividend is justified and 20 per cent is being paid after the 15 per cent distribution in the past four years. A three-year table shows profits retained, net dividends and taxation and the percentage of each to the whole. But, as Mr Sheridan pointed out, dividend rates are incomplete unless account is taken of the yearly growth of capital employed, in which connection the auditors have prepared a five-year table showing capital employed, profits before and after tax with percentage to capital employed; dividend gross with percentage to issued capital and capital employed; dividend net and times covered; and profit retained.

Curious Reasoning

Mr Sheridan also added, quite rightly, that 'capital employed' figures shown in the table are based on book values, whereas 'the real value of some assets is much higher than the book value'; freeholds, for instance, stated at £99,727 being considered by the board to be worth £215,000. The directors, he continued, had considered making a further bonus issue of shares but saw little point in doubling the capital if it simply means halving the dividend rate; which seems rather curious reasoning.

Meanwhile, it might be suggested that Mr Sheridan should woo investors with a balance sheet giving up-to-date valuation, a nominal capital reflecting capital employed, and a frequent information service, starting with a turnover figure. It may be urged that large-scale contracts are not arranged by quarters or half-years – but other companies meet the same situation. Mr Sheridan's points, however, were well taken in the market where the price of the shares is now around 18*s*.

NEW DAY FURNISHING STORES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

as at 30th June, 1959

(To be read in conjunction with the attached notes)

Previous Year £	Previous Year £	£		Authorised £	Issued and Fully Paid £	£
			CAPITAL AND CAPITAL RESERVES			
			SHARE CAPITAL of New Day Furnishing Stores Limited			
500,000	500,000		500,000 6% Cumulative Preference Shares of £1 each	500,000	500,000	
750,000	571,136		7,500,000 Ordinary Shares of 2/– each	750,000	571,136	
1,250,000	1,071,136			1,250,000	1,071,136	
	13,661		CAPITAL RESERVES ..		7,562	
		1,084,797				1,078,698
			REVENUE RESERVES AND SURPLUS			
	300,000		GENERAL RESERVE ..		300,000	
	587,078		CONTINGENCIES AND DEVELOPMENT ACCOUNT		537,857	
	25,000		STAFF BENEVOLENT AND WELFARE ACCOUNT ..		25,000	
			PROFIT AND LOSS ACCOUNT Net Surplus at 30th June 1959			
237,353			Holding Company.. ..	62,815		
12,298			Subsidiary Companies ..	13,041		
	249,651				75,856	
		1,161,729				938,713
		2,246,526				2,017,411
			AMOUNT SET ASIDE FOR FUTURE INCOME TAX			
	195,520		Three Quarters of 1959/60 liability		57,453	
	112,700		Estimated 1960/61 liability ..		25,400	
		308,220				82,853
			MINORITY INTEREST IN SUBSIDIARY COMPANY			
		27,594	Proportion of Share Capital and Reserves applicable thereto			35,623
		105,449	**MORTGAGES,** secured on Freehold Properties			86,172
			AMOUNT DUE TO FINANCE COMPANIES			
		—	Re Agreements for sale of certain Hire Purchase Accounts (included contra) being guaranteed amounts to be collected on behalf of and paid to Finance Companies ..			584,570
			CURRENT LIABILITIES			
	143,587		BILLS PAYABLE		230,290	
	507,592		CREDITORS AND AMOUNTS ACCRUED		817,799	
	803,468		NET AMOUNT DUE TO BANKERS		1,605,480	
	167,819		TAXATION		82,350	
			PROPOSED DIVIDEND			
	41,050		Final Dividend on the Ordinary Shares of 7*d.* per share (*less* Income Tax) for the year ended 30th June 1959		102,031	
		1,663,516				2,837,950
		[illegible]				

£	Previous Year £	£		£	£	£
			FIXED ASSETS			
	410,436		FREEHOLD PREMISES at Cost		458,276	
	23,750		LEASEHOLD PREMISES (Long) per Valuations ..		23,750	
	24,509		LEASEHOLD PREMISES (Long) at Cost		31,992	
140,116			LEASEHOLD PREMISES (Short) at Cost	107,684		
37,370			*Less* Amortisation to date	36,144		
	102,746				71,540	
			FURNITURE, FITTINGS, SUNDRY MACHINERY, EQUIPMENT & MOTOR			
332,007			VEHICLES at Cost ..	347,946		
140,049			*Less* Depreciation to date	138,438		
	191,958				209,508	
		753,399				795,066
		703,756	**BALANCE ON CONSOLIDATION**			703,756
		87, 255	**TRADE INVESTMENTS** at Cost *less* realisations ..			87,255
			CURRENT ASSETS			
	1,043,543		STOCK IN TRADE		947,952	
	133,729		STOCK OUT ON RENTAL		767,033	
921,868			INSTALMENTS OUTSTANDING ON HIRE PURCHASE ACCOUNTS (including those agreed to be sold to Finance Companies) *less* provision for Doubtful Accounts	3,263,978		
318,385			*Less* Unearned Profit included therein	1,245,061		
	603,483				2,018,917	
	876,037		DEBTORS ON CREDIT SALE ACCOUNTS, *less* provision for Doubtful Accounts ..		114,054	
	21,657		AMOUNT claimed due on adjustments relating to acquisition of Subsidiary Companies		21,657	
	123,879		SUNDRY DEBTORS, DEPOSITS AND PREPAYMENTS, *less* provisions ..		182,020	
	4,567		CASH IN HAND		6,869	
		2,806,895				4,058,502

OLIVER FROST }
G. C. WALTON } DIRECTORS

NEW DAY FURNISHING STORES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 1959

(To be read in conjunction with the attached notes)

	30th June 1959 £		£	30th June 1958 £	£
PROFIT ON TRADING before adjustment for unearned profit on uncompleted hire purchase transactions, but after charging to Contingencies and Development Account special expenditure on properties amounting to £49,221 (Previous Year £85,456)			1,044,799		298,542
Dividends from Trade Investments..			2,150		150
			1,046,949		298,692
Deduct:					
Adjustment of unearned profit on uncompleted hire purchase transactions		926,676		(*Add*) 61,227	
Depreciation and Amortisation of Fixed Assets ..		69,468		45,761	
Emoluments of Directors of Holding Company ..		33,835		24,936	
Compensation for termination of Director's Service Agreement		—		13,000	
Audit Fees and Expenses		4,100	1,034,079	5,370	27,840
GROUP PROFIT BEFORE TAXATION			12,870		270,852
Add: Taxation					
Provisions no longer required		28,793			
Less Estimated on Profit of year:—				(Deduct)	
Income Tax	9,591			89,139	
Profits Tax	7,100			49,383	
		16,691	12,102		138,522
GROUP PROFIT AFTER TAXATION			24,972		132,330
Deduct: Profit attributable to Minority Interest ..			7,829		4,453
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF NEW DAY FURNISHING STORES LTD.			17,143		127,877
Add: Balance at 30th June 1958 brought forward					
Holding Company		237,353		214,205	
Subsidiary Companies		12,298	249,651	6,919	221,124
			266,794		349,001
Deduct:					
Dividends paid (*less* Income Tax)					
On the 6% Cumulative Preference Shares for the year ended 30th June 1959		17,812		17,250	
Special Interim Dividend on the Ordinary Shares of 2*d.* per share for the year ended 30th June 1959 ..		27,367		—	
Interim Dividend on the Ordinary Shares of 3*d.* per share for the year ended 30th June 1959		43,728		41,050	
Proposed Dividend (*less* Income Tax)					
Final Dividend on the Ordinary Shares of 7*d.* per share for the year ended 30th June 1959		102,031	190,938	41,050	99,350
BALANCE CARRIED FORWARD					
Holding Company		62,815		237,353	
Subsidiary Companies		13,041	75,856	12,298	249,651

NOTES ON ACCOUNTS

for the year ended 30th June, 1959

PROFIT AND LOSS ACCOUNT

1. Directors Emoluments comprise:—

	1959 £	1958 £
Fees	3,750	3,804
Management Remuneration	27,585	18,632
Pension to retired Director in respect of executive service	2,500	2,500
	33,835	24,936

2. Audit Fees and Expenses are in respect of:—

	1959 £	1958 £
Holding Company	3,000	3,300
Subsidiary Companies	1,100	2,070
	4,100	5,370

3. Depreciation and amortisation of fixed assets amounting to £69,468 includes special depreciation of leasehold premises (short) and fixtures therein, amounting to approximately £20,000.

4. The comparative figures for Income Tax and Profits Tax shown in respect of the previous years accounts, are for Taxation estimated on Profit of Year, including adjustment for prior years.

BALANCE SHEETS (Holding Company and Consolidated)

5. Movement of Reserves:—

	Holding Company	Group
(a) Capital Reserve		
Balance at 30th June 1958	13,661	13,661
Net Adjustment on Property Realisations	(Deficit) 1,158	(Surplus) 301
	12,503	13,962
Less applied in respect of Goodwill Accounts ..	6,400	6,400
	6,103	7,562
(b) Contingencies and Development Account		
Balance at 30th June 1958	587,078	587,078
Deduct special expenditure on properties	49,221	49,221
Balance at 30th June 1959	537,857	537,857

6. Contracts for capital expenditure not provided for in these accounts outstanding at 30th June 1959 amounted approximately to:—
Holding Company £2,000 Group £66,000.

7. The Company has guaranteed the bank overdrafts of certain Subsidiary Companies which amounted to £314,147 at 30th June 1959.

8. The overdraft of a Subsidiary Company, amounting to £107,740 at 30th June 1959, which is not the subject of a guarantee by the Holding Company, is secured by a charge on the assets of that Subsidiary Company.

GENERAL

9. The Accounts of the Holding Company and certain Subsidiary Companies in the group have for practical convenience been made up for 52 weeks to the end of the week preceding the year end date.

CITY NOTES

A STRONG revival of demand for industrial equities has been the outstanding stock-market development this week. Evidence of growing recovery in the heavy industries has encouraged a fresh burst of equity investment confidence. The biggest single factor has been the sharp increase in steel output and the confident forecast of still heavier demands upon the steel industry.

The Steel Company of Wales has announced the launching of a further £30 million development programme on top of the £50 million 'third stage' plan now nearing completion.

Chairmen of many engineering companies are now reporting a much better flow of orders and the shifting of the equity investment accent from the shares of consumer goods companies to those of capital equipment concerns has continued strongly.

In the consumer goods and retail trades, however, there have been impressive developments. Firth Cleveland's purchase of the Broadmead business for £5,800,000 in cash and shares makes the group the biggest radio, television and household appliance retail business in the world.

While the equity sections have moved to fresh peaks, the gilt-edged section has remained in the doldrums. A higher Treasury bill rate has emphasized the present pitch of the tug-of-war between rates here and those in New York and on the Continent. Sterling has firmly withstood seasonal pressure and has moved above the dollar parity, but for the gilt-edged market itself the existence of the interest rate tussle must make for uncertainty and unsettled market conditions.

There seems little prospect of the investor forsaking the growth prospects of the equity market for the yield basis of gilt-edged, while the industrial outlook remains encouraging.

RATES AND PRICES

Closing prices, Wednesday, December 16th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Oct. 9	£3 8s 9d%	Nov. 13	£3 7s 9·55d%
Oct. 16	£3 8s 4·91d%	Nov. 20	£3 7s 11·96d%
Oct. 23	£3 8s 6·74d%	Nov. 27	£3 7s 11·95d%
Oct. 30	£3 7s 8·53d%	Dec. 4	£3 10s 7·23d%
Nov. 6	£3 7s 4·62d%	Dec. 11	£3 11s 6·91d%

Money Rates

Day to day	2⅜–3½%	*Bank Bills*	
7 days	3–3⅛%	2 months	3$\frac{11}{16}$–3¾%
Fine Trade Bills		3 months	3$\frac{11}{16}$–3¾%
3 months	4¼–5%	4 months	3$\frac{11}{16}$–3¾%
4 months	4¼–5%	6 months	3$\frac{11}{16}$–3$\frac{13}{16}$%
6 months	4½–5%		

Foreign Exchanges

New York	2·79⅞–·80	Frankfurt	11·67½–¾
Montreal	2·66$\frac{5}{16}$–$\frac{7}{16}$	Milan	1737–¼
Amsterdam	10·55⅝–⅞	Oslo	19·99⅞–20·00⅛
Brussels	140·03¼–¾	Paris	13·73½–¾
Copenhagen	19·31¾–·32	Zürich	12·08⅝–⅞

Gilt-edged

Consols 2½%	49⅞xd	Funding 4% 60–90	94
Consols 4%	75¼	Savings 2½% 64–67	85$\frac{1}{16}$
War Loan 3½%	65¼	Savings 3% 55–65	91$\frac{15}{16}$
Conversion 3½%	65¾	Savings 3% 60–70	83⅜
Conversion 3½% 1969	89$\frac{7}{16}$	Savings 3% 65–75	77½
Exchequer 5½% 1966	104¼	Treasury 2½%	48⅞
Funding 3% 66–68	86⅜	Treasury 3½% 77–80	79⅛
Funding 3% 59–69	85	Treasury 3½% 79–81	79⅛
Funding 3½% 99–04	72xd	Victory 4%	96$\frac{9}{16}$

Reviews

Dynamic Accounting

by EUGEN SCHMALENBACH. Translated from the German by G. W. MURPHY, B.A.(COM.), F.C.A., J.P., and KENNETH S. MOST, LL.B., A.C.A. (Gee & Co (Publishers) Ltd, London. 42s net.)

It is unlikely that many accountants in this country have heard of Eugen Schmalenbach but, in 1908, he was advocating the practical application of concepts which are now regarded as fundamental to modern company financial statements. He it was who persuaded business men that their annual accounts should reflect not only capital changes but also an accurate assessment of the profit earned, calculated on a true economic basis. This, to many, meant the abandonment of the time-honoured static form of income and expense account and acceptance of the principles and practice of accruals and prepayments and, even more important, of depreciation of fixed assets. It was on a series of articles on these subjects that his book, *Dynamische Bilanz*, first published in Germany in 1919, was based.

It is the fate of almost all revolutionary theories, once they become generally accepted, to lose much of their seemingly outrageous character and to assume a mantle of genteel respectability. Those of Professor Schmalenbach are no exception and what to some German industrialists, earlier in the century, may have appeared heresy now reads like an urbane classical exposition of basic accounting truths. The impression of smooth and sound reasoning, rein-

forced by experience, which the book conveys is completely in accordance with Professor Schmalenbach's background. He. was a practical man before he became a professor and used an inherited family business as a laboratory in which to test his academic theorizings. These opportunities, allied to a probing mind and a gift of clear self-expression, enabled him to convert German capitalists and to convince accountants that, as his excellent translators put it in their foreword, costing, statistics and planning, together with financial accounting, represent the four cardinal points of economic control in business enterprise.

Accounting Trends and Techniques in Published Corporate Annual Reports

Thirteenth Edition, 1959. (American Institute of Certified Public Accountants, New York. $18.)

Once again, with impressive thoroughness, the indefatigable staff of the American Institute of Certified Public Accountants has surveyed 600 company accounts and 'informally scanned' some 500 others to ascertain trends and techniques in published company accounts and reports. This volume, the thirteenth of its kind, continues the long-range research programme begun in 1946 and is equally as impressive as any of its predecessors.

Some of the changes observed are that more than two-thirds of the 600 survey companies now provide easy-to-read summaries of the year's operational results, as compared with one-third ten years ago; that 85 per cent of them present comparative figures as against the original 41 per cent; that nearly 250 companies in the sample of 600 give a detailed analysis of the nature of their capital surplus – only seventy did so in 1948; and that 265 companies (117 ten years ago) expand their accounts so as to include additional audited informational schedules.

One of the erstwhile landmarks, now sadly in the decline, is the title 'profit and loss statement'. In 1946, 236 companies used it. Last year only thirty-five companies continued to do so. Its place has been taken by such labels as 'income statement' and 'statement of earnings'. Even the apparently immutable 'balance sheet' is yielding round, albeit slowly, to such expressions as 'statement of financial position' and 'statement of financial condition'. The last sounds almost clinical to British ears.

The Stock Exchange Official Year-Book, 1959

Volume II (Thomas Skinner & Co (Publishers) Ltd, London, Volumes I and II, £8 5*s* including postage.)

The publication of Volume II of *The Stock Exchange Official Year-Book* completes the 1959 edition of this indispensable financial work of reference which contains the commercial and industrial section of quoted securities.

Although the primary function of the year-book is to give details of securities quoted on the London and Official Stock Exchanges there are also included for reference purposes banking, financial and issuing companies whose quotations have been withdrawn pending reorganization or in consequence of take-over bids during the past year. A combined index to the whole of the 1959 edition contains the names of many thousands of subsidiary and associated companies. The total editorial pages of both volumes of this valuable guide now number 3,477, including a short supplement of information received too late to be classified.

Register of Defunct and Other Companies, 1959

(Thomas Skinner & Co (Publishers) Ltd, London, £1 10*s* including postage.)

The 1959 edition of the Register contains the fate of over 22,000 companies which formerly appeared in *The Stock Exchange Official Year-Book*. It gives particulars of an additional hundred companies and securities no longer in the list of live securities. This Register is unrivalled in its usefulness in tracing the value of old certificates no longer known on the market and for the assistance it gives in dealing with deceased estates.

RECENT PUBLICATIONS

BREAD AND CIRCUSES, by George Schwartz. 220 pp. 8×5½. 12*s* 6*d* net. *The Sunday Times*, London.

THE TECHNIQUE AND PRACTICE OF COSTING FOR THE RUBBER MANUFACTURING INDUSTRY, second edition, prepared by a subcommittee of the accountants' committee of the Federation of British Rubber and Allied Manufacturers. 66 pp. 9½×6. 15*s* post free. The Federation of British Rubber and Allied Manufacturers, 43 Bedford Square, London, WC1.

ESSAYS IN WORLD ECONOMICS, by J. R. Hicks. xviii+274 pp. 7½×5. 21*s* net (United Kingdom only). Oxford University Press, London.

INCOME AND ECONOMIC WELFARE, by S. G. Sturmey. x+208 pp. 9×6. 21*s* net. Longmans, Green & Co Ltd, London.

THE TRADE CYCLE, by R. C. O. Matthews. The Cambridge Economic Handbooks. xv+300 pp. 8×5. 12*s* 6*d* net. James Nisbet & Co Ltd, Digswell Place, Welwyn, Herts, and Cambridge University Press in association with the University of Chicago Press.

THE 1959 INCOME TAX LEGISLATION IN THE FEDERATION OF RHODESIA AND NYASALAND, by A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). 51 pp. 10×6. card covers. 16*s* 6*d*. Juta & Co Ltd, Cape Town.

THE ECONOMICS OF MONEY, by A. C. L. Day. Home University Library No. 242. vii+248 pp. 7×4½. 7*s* 6*d* net (U.K. only). Oxford University Press, London.

BUDGETING IN PUBLIC AUTHORITIES, by a study group of the Royal Institute of Public Administration. 299 pp. 9×6. 28*s* net. George Allen & Unwin Ltd, London.

INTERNAL AUDITING, second edition by W. W. Bigg, F.C.A., and J. O. Davies, F.C.A., A.C.W.A. ix+187 pp. 9×5½. 21*s* net. H.F.L. (Publishers) Ltd, London.

TAX CASES, reported under the direction of the Board of Inland Revenue. Vol. 38, Part 4. Pages 233–305. 9½×6. 3*s* 6*d* net. H.M.S.O., London.

THE FIELD SALES SUPERVISOR, Marketing Series No. 4. viii+99 pp. 9×6. card covers. 17*s* 6*d* or 14*s* to B.I.M. members (plus 9*d* postage). British Institute of Management, Management House, 80 Fetter Lane, London, EC4.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Professional Education

SIR, – I had imagined that your excellent 'Weekly Note' of November 28th would have disposed of Dr McIntosh, but since his letter published in your issue of December 12th shows him still wriggling, may I enter the fray.

Dr McIntosh says that in his Cantor lecture he was speaking of education in England and Wales. Why then did he refer to 'the United Kingdom'? If he 'knows anything at all about education' – to turn back on him his own courteous reference to the author of your 'Weekly Note' – he will be aware that Scotland and Northern Ireland are as much a part of the United Kingdom as is the City of London College. If he knows anything at all of the accountancy profession he will be aware that:

(1) The description 'chartered accountant' was invented in Scotland;

(2) The Institute of Chartered Accountants of Scotland is recognized throughout the United Kingdom and its members practising in any part of the United Kingdom can train apprentices in that part; and

(3) A discussion of professional education which omits mention of the report of the Institute Special Committee on Examination and Training of Apprentices ('The Lister Committee') can hardly be regarded as adequate in accountancy circles at the present time.

Dr McIntosh appears to lack histories. May I refer to *A History of Accounting and Accountants* and to *A History of The Chartered Accountants of Scotland to 1954*? I would also commend to his perusal Sir Arthur fforde's address on 'Education for the professions' (your issue of November 28th) which says, much better than I could, all else which I would like to say to Dr McIntosh.

Dr McIntosh invites your readers to judge whether your 'Weekly Note' is either fair or accurate. May I, as a reader, submit that it is both. What a pity his lecture was neither!

Yours faithfully,
E H. V. McDOUGALL
Secretary,
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND.

Edinburgh 2.

Salaries in the Profession

SIR, – The recent correspondence has shown that smaller firms of professional accountants realize that unless the Institutes and the Association can assert their influence on higher authorities their whole future is surely jeopardized.

Reasonable salaries to their staffs, particularly to those who are qualified, must be paid and to do this reasonable fees must be charged to clients. But those who deal with incomplete record work know very well that if fees are raised that little too much, then some clients go to a practitioner who will charge less; usually one without a recognized qualification who, incidentally, often freely advertises for work. This type of client, as has been said before, primarily wants a statement of account to be agreed with the Inland Revenue authorities and, at the moment, it seems that more or less anyone can submit such an account and get it agreed.

On this point I have just looked through a recent publication of Her Majesty's Stationery Office called *Farmers' Book-keeping and Income Tax* in which constant reminders are given that when in doubt the best course usually is to consult your Inspector of Taxes; this, in spite of the fact that provincial tax office staffs are already overloaded with work, and would probably much prefer the whole thing to be dealt with by a person qualified to do so. No mention is, however, made of the use and service rendered by the professional accountant.

Action should be taken at the highest level to rectify this sad state of affairs. Any suggestion as to a scale of fees or of a scale time for each grade of clerk on which to base fees would at present be quite useless, and principals like myself will have to continue to do work outside office hours to make a reasonable living.

Yours faithfully,
Guildford, Surrey. N. A. TOLPUTT, F.C.A.

Accountants' Jargon

SIR, – I read in this morning's *The Daily Telegraph* (December 9th) that a number of qualifications in their report on the accounts of Camp Bird Ltd were made by the auditors, Messrs Price Waterhouse & Co. They are reported to have said:

> 'In the absence of earnings resulting from this [expenditure on mine development] we are unable to assess the prospects of recovery thereof',

and

> 'Owing to the non-availability of the books and records of Ghana Minerals Corporation we have been unable to satisfy ourselves as to payments amounting to £32,000 said to have been made by the company's agent in Ghana.'

I am emboldened to take up, if not a cudgel, at least an umbrella to attack this jargon. The pronoun 'this' in the middle of the first sentence becomes a 'thereof' at the end and nothing but recasting will make the sentence readable. 'Owing to' for 'because'

has been condemned again and again, and 'non-availability' causes one to boggle. If the writer meant 'because the books and records of G.M.C. were not available to us', why didn't he say so? Presumably, too, one satisfies oneself *that* something has been done or left undone. Substitute 'that' for the inelegant 'as to' and put the phrase 'said to have been made by the company's agent in Ghana' where it belongs, after 'payments', and the sentence can be seen to be as much devoid of sense as of sound. As Alice said, 'Take care of the sense and the sounds will take care of themselves'.

If the heads of the accountancy profession are responsible for this style of writing, what can be expected from us poor and lowly brethren? No wonder that our profession, compared with others, is so badly paid. It deserves to be.

Yours truly,

Orpington, Kent. J. H. COLES, A.C.A.

Commercial Library: Stock Valuation

SIR, – I am interested in the accounts of a commercial librarian operating a circulating library over a wide area.

The useful life of a book is taken as five years and decreasing valuations are taken each year of the stock. In my opinion too high a value is placed on the stock, and readers' opinions as to a suitable basis to be taken for stock valuation are invited.

Little information appears to be available in the journals of the trade, and any views of readers who have had practical experience of this subject would be welcomed.

Yours faithfully,

LIBRO.

Country Estate: Accounting Methods

SIR, – After many years in industrial accountancy, I have recently taken up an appointment as accountant to a very large country estate, involving a large rent roll of urban and agricultural property, farms operated by the estate, timber yard, market garden, etc. For various reasons many of the methods to which one has become accustomed in industry for assembling basic information are no longer practicable, and it would be very helpful to know if any of your readers have similar experience, and to hear of methods which they have found useful and economical in dealing with the following:

(*a*) Analysing farm workers' labour costs.
(*b*) Recording, analysing and controlling sales (part cash, part credit) at a large market garden.
(*c*) An effective system of stock control and costing for a building maintenance department, without going to the lengths that such a system in a well-run factory would involve.

Yours faithfully,

D.C.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Houry *v.* Eastern African Commissioners of Income Tax

In the Privy Council – November 27th, 1959

(Before Viscount SIMONDS, Lord RADCLIFFE, and Lord KEITH OF AVONHOLM)

Income tax – Settlement by parent on children – Trust fund consisting of shares in controlled company – Whether company's undistributed income treatable as parent's income – East African Income Tax (Management) Act, 1952, Sections 22, 24.

The appellant transferred shares in a controlled company to his two infant children, and the transfer was a 'settlement' within Section 24 of the East African Income Tax (Management) Act, 1952. By an order under Section 22 of the Act, 60 per cent of the company's undistributed income for the years in question was deemed to have been distributed among its shareholders; and an assessment was made on the appellant on the basis that the sums deemed to have been distributed to his children had to be treated, by virtue of Section 24, as his income.

Held, Section 22 and Section 24 were independent charging sections, and were mutually exclusive; and that the father's income under Section 24 did not include sums deemed to have been distributed to the children.

In re Lonsdale Wills Trusts

In the Court of Appeal – October 21st, 1959

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice SELLERS and Lord Justice HARMAN)

Estate duty – Incidence – Power to appoint jointures – Appointment of jointures 'without any deduction' – Whether jointures liable to bear part of estate duty – Finance Act, 1894, Section 14 (1).

The second Earl of Lonsdale, who died in 1872, gave power in his will to a tenant for life in the settlement thereby created to appoint to any woman he might marry, a rentcharge by way of jointure; and the third earl, who died in 1876, gave a similar power.

The sixth earl by his marriage settlement in 1923, in exercise of the power in the second earl's will,

appointed to his wife, if she survived him, a jointure of £1,000 'to be paid without any deduction (except for succession duty, if any)', and secondly, in exercise of the power in the third earl's will he appointed another rentcharge to his wife to be paid similarly.

The sixth earl died in 1953, and the jointures became payable to his wife. The question then arose whether the jointures had to bear a rateable part of the estate duty payable on his death in respect of the settled estates charged with the jointures, or whether there was an 'express provision to the contrary', within Section 14 (1) of the Finance Act, 1894, so as to exempt the jointures from liability to contribute.

Held, the sixth earl had power to appoint jointures free from liability to contribute to estate duty; that each of the appointments constituted a 'disposition' within Section 14 (1); and that the appointments in the settlement of 1923 freed the jointures from any liability for estate duty.

Hochstrasser *v.* Mayes

In the House of Lords

November 30th, 1959

(Before Viscount SIMONDS, Lord RADCLIFFE, Lord COHEN, Lord KEITH OF AVONHOLM and Lord DENNING)

Income tax – Employment – Loan to employee to buy house – Guarantee against loss – Payment under guarantee – Whether profit from office or employment – Income Tax Act, 1952, Sections 156, 60, Schedule IX, paragraph 1.

The repondent in the first case was employed by Imperial Chemical Industries Ltd, and one of the conditions of his employment was that he should move to such of the company's factories or offices as he should from time to time be directed. In 1950 he was transferred to Lancashire, and met with much trouble in purchasing a house, and learnt for the first time of a housing scheme operated by the company.

Under this scheme the company made an interest-free loan to an employee who was transferred, and the amount of the loan varied according to the employee's emoluments from the company. The loan had to be secured by a mortgage of the house; and the company did not require the loan to be repaid until fifteen years had elapsed, or until the employee was again transferred, or he retired on pension, or left the company's employment, or died. The company undertook to pay to the employee the amount of any loss of value of the house on a subsequent transfer, or on the employee's death while in the company's service, or on retirement on pension. If the employee was transferred, and he wished to sell the house, he had to offer it to the company, which then had the right to buy it at a valuation price, and any loss was made up by the company. If the company did not purchase the house, and it was sold within a year, the company paid a sum equal to the deficiency between the cost of the house and the sale price; and if the house was not sold within a year, it had to be valued at the end of the year, and the company made good any deficiency. If the employee wished to sell the house for reasons of his own, the company, if it consented to the sale, would pay him the amount of any loss.

On his transfer in 1950 the respondent bought a house for £1,850 and financed the purchase by a mortgage from a building society, by an interest-free loan from the company and by providing a small sum himself. In 1954 he was transferred to Yorkshire, and he offered the house to Imperial Chemical Industries Ltd, but the offer was declined, and he sold the house, with the company's consent, for £1,500. The amount of the loss of £350 was paid to him by the company, and he was assessed under Schedule E in respect of that sum.

The General Commissioners found as a fact that the respondent's salary was calculated independently of anything he might receive under the housing scheme; and that salaries paid by Imperial Chemical Industries Ltd compared favourably with salaries paid by other employers not operating such a scheme. They allowed his appeal.

Held (affirming the judgment of the Court of Appeal): the £350 was not an emolument of the respondent's employment, and, therefore, was not taxable.

Unit Construction Co Ltd *v.* Bullock

In the House of Lords – November 30th, 1959

(Before Viscount SIMONDS, Lord RADCLIFFE, Lord GODDARD, Lord COHEN and Lord KEITH OF AVONHOLM)

Income tax – Subvention payment – Whether subsidiary companies resident in United Kingdom – Finance Act, 1953, Section 20.

The respondent claimed to be entitled to deduct payments made by it, under Section 20 of the Finance Act, 1953, to subsidiary companies incorporated abroad. The companies carried on business abroad, and the directors were resident abroad, and board meetings and general meetings had to be held abroad. The boards of the subsidiary companies received instructions from the board of the parent company, and accepted the instructions and acted in accordance therewith.

It was contended on behalf of the respondent that the business of the subsidiary companies was carried on in the United Kingdom, in that it was there that the central management and control of them abided.

Held (reversing the judgment of the Court of Appeal), the question of whether the companies were resident within or without the United Kingdom had to be decided on the facts, and not solely by reference to the constitution of the companies; and that on the facts the companies were resident in the United Kingdom.

COMPUTING CREDIT TRADERS' PROFITS

PROVISION FOR COSTS OF COLLECTION

Agreement with the Board of Inland Revenue

AN agreement has been concluded between the Board of Inland Revenue and the National Federation of Credit Traders on a method of computing credit traders' profits for income tax purposes, which takes into account the expenses of collection of book debts by valuing good book debts at less than par.

It has to be noted that, in the case of a credit sale, property in the goods passes immediately to the customer, and the full amount of the sale should be brought into the accounts as soon as the sale is completed.

The terms of the agreement are as follows:

(1) Valuation of Book Debts and Provision for Collection Costs

It is, first of all, necessary to ascertain the direct expenses of collection and then to express this total as a percentage of actual collections for the accounting period. For this purpose, the expenses of collection to be taken are direct payments to or on behalf of the persons engaged in collecting the book debts and will normally consist of wages, commissions, National Insurance and travelling expenses. The total of such direct expenses must then be reduced by a fraction (normally one-fifth) to eliminate the expenses of selling and other activities carried out by the persons engaged on collection; for example:

	£
Wages, commission and National Insurance	3,000
Travelling expenses	500
Total direct expenses	3,500
Less One-fifth	700
	£2,800

If collection during the accounting period amounted to £28,000, collection expenses would, in terms of percentage, be:

$$\frac{2{,}800}{28{,}000} \times 100 = 10 \text{ per cent}$$

This percentage is then to be applied to the good book debts at the end of the period, i.e. after deduction of bad and doubtful debts in the normal manner, in order to arrive at the provision for collection costs. For example, using the above percentage:

	£
Book debts	12,500
Provision for bad debts	500
Carried forward ..	12,000
Brought forward ..	£12,000
Provision for collection charges, 10 per cent × £12,000	1,200
Net value of book debts	£10,800

(2) Computation of Profits

Having ascertained the provision for collection costs, as above, the profits for the accounting period will be adjusted by reference to the difference between the provision at the beginning of such period and the provision at the end. For example, if the provision at the end of the accounting period exceeds that at the beginning, the difference will be allowed as a deduction from profits. Similarly, if the provision at the end of the period is less than that at the beginning, the difference will be added to profits.

(3) Change from Existing Basis

The adoption of the above basis is optional to the credit trader, but if he does elect to adopt it, adjustments will have to be made in the year of change, involving the calculation of an opening provision for collection costs on the same basis as the closing provision. For example, where a claim is made for the first time, provision for collection costs at the end of the previous year will have to be calculated by reference to the accounts of that year and this 'notional' provision will be used in ascertaining the movement in the provision for the accounting period which is the figure that will affect the profits computation.

The position may be summarized as follows:

(*a*) Ascertain expenses of collection for the accounting period by taking four-fifths of the total direct payments to or on behalf of persons engaged on collection and express this amount as a percentage of total collections during the same period.

(*b*) Provision for collection costs is then ascertained by applying the above percentage to the good book debts at the end of the period.

(*c*) The profits for the accounting period will then be adjusted by the difference between the opening and closing provision for collection costs.

(*d*) It is emphasized that any existing basis of computation which has proved satisfactory to both sides will not be disturbed unless the trader elects to adopt the new basis. This new basis gives relief for collection costs and does not affect the deduction for bad and doubtful debts which will continue as before.

LONDON CHARTERED ACCOUNTANT STUDENTS' ANNUAL DINNER

The forty-sixth annual dinner of The Chartered Accountant Students' Society of London was held at *Grosvenor House*, London, last Monday and was attended by 1,460 members and guests. Mr W. E. Parker, C.B.E., F.C.A., President of the Society, occupied the chair.

Among those present were General Sir John Chaddesley Westall, K.C.B., C.B.E., formerly Commandant-General, Royal Marines; Mr H. John French, O.B.E., B.C.L., Chairman, Issuing Houses Association; Lord Ritchie of Dundee, Chairman of the Council of the London Stock Exchange; Mr C. U. Peat, M.C., F.C.A., President of The Institute of Chartered Accountants in England and Wales; Mr M. W. Russell, A.C.A., Chairman of the Committee of the Students' Society, and

Sir Harold Barton, F.C.A. (*a Past President of the Institute; a Vice-President of the Students' Society*); Messrs Sidney J. Barton, J.P. (*The Rt. Hon. The Chairman, London County Council*); R. P. Baulkwill, C.B.E. (*Public Trustee*); Douglas A. Clarke, LL.B., F.C.A. (*a Vice-President of the Students' Society*); Sir Edmund Compton, K.B.E., C.B., M.A. (*Comptroller and Auditor-General*); Rev. A. J. Drewitt, M.A., B.SC. (*Rector, St Margaret's, Lothbury*); The Rt. Hon. Lord Ebbisham, T.D. (*President, London Chamber of Commerce*).

Messrs G. B. Esslemont, C.B.E., J.P., F.I.M.T.A. (*President, Institute of Municipal Treasurers and Accountants*); Gerald Gardiner, Q.C. (*Chairman, General Council of the Bar*); Sir Harold Gillett, Bt., M.C., F.C.A. (*a Vice-President of the Students' Society*); The Rt. Hon. Sir James Grigg, K.C.B., K.C.S.I. (*Deputy Chairman, National Provincial Bank*); Mr J. R. C. Hale (*Master of the Grocers' Company*); Sir Cyril Hawker (*Executive Director of the Bank of England*); Mr D. V. House, F.C.A. (*a Past President of the Institute*); Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., D.L., F.C.A. (*a Past President of the Institute; a Vice-President of the Students' Society*); Messrs J. A. Jackson, F.C.A. (*a Vice-President of the Students' Society*); William Jackson, F.A.C.C.A. (*President, Association of Certified and Corporate Accountants*); J. H. James, C.B. (*Deputy Master and Comptroller, The Royal Mint*); Sir Alexander Johnston, K.B.E., C.B. (*Chairman, The Board of Inland Revenue*).

Sir Sidney Littlewood (*President, The Law Society*); Messrs E. Long, F.C.I.S. (*President-Elect, Chartered Institute of Secretaries*); Alan S. MacIver, M.C., B.A. (*Secretary of the Institute*); Brian Manning, D.L., J.P., F.C.A. (*a Vice-President of the Students' Society*); Sir Theobald Mathew, K.B.E., M.C. (*Director of Public Prosecutions*); C. D. Morley (*Secretary, Council of the London Stock Exchange*); E. H. Nichols, T.D., B.A., LL.B. (*Town Clerk, City of London*); S. J. Pears, F.C.A. (*Vice-President of the Institute*); Prof. Sir Arnold Plant, B.SC.(ECON.), B.COM. (*Sir Ernest Cassel Professor of Commerce, University of London*).

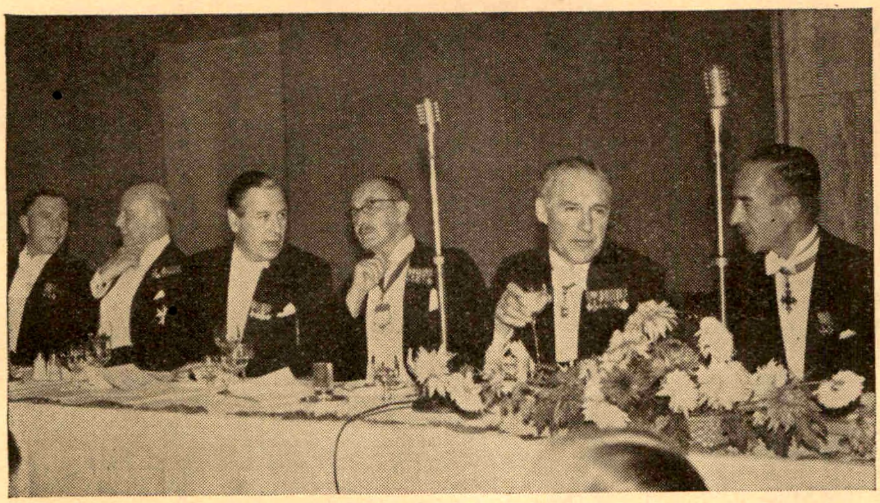
Mr F. M. Redington, M.A., F.S.S., F.I.A. (*President, Institute of Actuaries*); Sir Thomas Robson, M.B.E., M.A., F.C.A. (*a Past President of the Institute; a Vice-President of the Students' Society*); Messrs J. D. Russell, M.A., F.C.A. (*Chairman, London and District Society of Chartered Accountants*); G. S. A. Wheatcroft, J.P., M.A., F.B.I.A., F.I.I.T. (*Professor of English Law, University of London; Editor of 'The British Tax Review'*); Sir Bruce Wycherley, M.C., F.C.I.S. (*Managing Director, Abbey National Building Society*).

'Two per cent Attendance'

Responding to the toast of 'The Students' Society', proposed by General Sir John Chaddesley Westall, Mr Michael W. Russell, A.C.A., Chairman of the Committee of the Students' Society, said:

'I ought to start by saying something about our Society and what we do, and I should look to the future rather than to the past. Auditors look backwards and the rest of the

At the Reception: Mr W. E. Parker, C.B.E., F.C.A., President of the Students' Society, (*front row, third from left*) together with the principal guests, including (*to the President's right*), Mr H. John S. French, O.B.E., B.C.L., Chairman of the Issuing Houses Association, and Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute, and (*to the President's left*) Lord Ritchie of Dundee, Chairman of the London Stock Exchange, and General Sir John Chaddesley Westall, K.C.B., C.B.E.



At the top table (*left to right*) Lord Ebbisham, T.D.; Sir Harold Gillett, Bt., M.C., F.C.A.; Mr H. John S. French, O.B.E., B.C.L.; the President of the Institute; General Sir John Chaddesley Westall, K.C.B., C.B.E.; Mr W. E. Parker, C.B.E., F.C.A.

profession endeavour to look forward. We of the committee of the Students' Society discussed our budget for the ensuing year, and we decided that we should have the sum of £17,000 next year. When we received our figures from our Secretary, we saw he had put in for a surplus of £43. We chipped that a bit. When we approved the budget, we put in a figure of £2. (*Laughter.*) Unfortunately, ladies and gentlemen, we have a surplus of £2 and we also have an attendance at lectures of 2 per cent. We could take far more and spend no more. We should be delighted to see the attendance we have here this evening at our lectures, even if it means getting a bigger hall.

'The trouble with the Students' Society at the moment is quite simple. We are sitting for five years or three years on a very busy programme, and we do not find very much time to come out in the evening and give up our recreations to come along to a students' society meeting. In the last few months we have had the effects of the integration scheme. High salaries and increased office responsibilities for many articled clerks have undoubtedly affected our attendances at lectures.

'What we want as a students' society is to develop a sense of comradeship, and that is what we are trying to do. Quite frankly I feel we need that sense of professional comradeship, and I am not being naïve when I say: "Attend Students' Society lectures and attend Students' Society functions". I do not think they are of value by themselves, but if we all work hand-in-glove we can create some degree of professional accomplishment which will stand us in good stead.'

Mr Russell stated in conclusion that it gave him great pleasure to propose, quite unofficially, the toast of the President of the Students' Society. Mr Parker, he said, was very much a students' society-minded member of the Council of the Institute and was also, of course, the chairman of the Institute's Committee on Education and Training.

Stirring Times

Mr Parker, proposing the toast of 'The Visitors', said:

'Having now completed the first year and got somewhere into the second year of my office as President of this Society, I can say with feeling that it provides its office holders with stirring times. Last September or October, when I attended our residential course at Oxford, my dignity was jolted but my person rejuvenated by being the resident, for the first time for thirty-five years, of one of those beds you cannot get into because the sheets are folded over the top. (*Laughter.*) More recently, I am still groggy from the incident which was described by the Press as "the delivery of Monty's right hook". (*Laughter.*) I do not know whether that blow conformed with the Marquess of Queensberry rules, but it did not fit very well with the rules of this body.

'However, the Students' Society thrives with its surplus of £2 and its attendance at lectures of 2 per cent, and the reason it does thrive in spite of those narrow margins is due in very great measure to the work of Mr Russell and his committee and the permanent officials of the Society, particularly Mr Carter, the Secretary, and Miss Large, the Assistant Secretary. (*Applause.*) We, the members of the Society, are very greatly indebted to all you people who administer our affairs for us. There are, in fact, according to latest reports, 1,460 people here, and the handling of the administrative work is largely the work of Miss Gill, our dinner secretary, and I think we acknowledge all she has done this evening. . . .

'Mr Russell made some reference to the Institute Committee on Education and Training which, under my chairmanship, has been sitting on a clutch of eggs for fifteen months. They are a fine-looking lot; some of them rattle and some of them have got rather a peculiar smell, but we hope to hatch them out in due course.'

After extending a welcome to the many distinguished guests present, Mr Parker said:

'Professional men are not permitted – nor, I hope, would they wish – to advertise themselves individually. It is, however, proper for us to display ourselves collectively and this is an occasion when we can show our distinguished guests a sample of the coming generation of chartered accountants. I do so hope we have made the right impression.' (*Laughter.*)

Responding to the toast, Mr H. John French said that when he saw (after being invited to speak) that he had been selected as the victim from such a galaxy of talent, he was disposed to feel that this was an honour for the Issuing Houses Association and that he might try to turn his adversity into advantage by getting a little publicity for that Association. There are here a wonderful collection of present and future potential bringers of business to issuing houses, he declared amid laughter.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales' Lord Ritchie of Dundee said that he would very much like to see some hope of a return to the pre-war practice of averaging private firms' profits. Referring to the present system he said:

'I will give you an illustration of what happened to a friend of mine a few years ago when taxation was a little higher than it is now, but not much. In the year in question

his firm made a loss, and the following year he received a cheque from the Inland Revenue and the cheque, which was for himself personally, was of such a size that if it had been his net income, his share of this firm's profits in the year concerned would have been £146,260. Do I need to say any more about the present system? It seems to me not to be very sensible.'

Mr Peat responded to the toast. In the course of his speech he said:

'May I say that this great Institute of ours lives in a period of tremendous change. We are a healthy organism and like other healthy organisms we are very preoccupied with creating and pushing out new shoots and branches. In this respect I would like to pay my tribute to your President tonight. Mr Parker is the chairman of this new Committee on Education and Training, and I think that no committee has ever had the tremendous importance which his committee has.

'It all comes back to the Parker Committee because on the deliberations of that committee depends the future of the Institute. The Parker Committee is concerned with every aspect of education and training of the future generation of chartered accountants; so much so that nearly every question I have been asked in the last eight meetings with students' societies have been on matters which the Parker Committee is considering. Many of the questions are of great importance.

'Your Chairman has stressed the strain and the hard work which articled clerks do. I can perfectly appreciate that; but may I tell you there is only one man in the world who ever got all his work done by Friday, and that was Robinson Crusoe. (*Laughter and applause.*) I dare say that is the sort of story one should tell to the Marines. (*Laughter.*)

'May I say how enormously grateful we are that these questions are being considered because they will need a great deal of re-thinking. The whole business of articles, the whole relationship of the principal and the articled clerk, wants looking into again, very, very carefully. That, I appreciate, is the reason for many of the questions – the very pertinent questions – which I get asked.'

Continuing, Mr Peat said:

'As I go round to the students' societies and I ask questions and listen to their questions to me, those questions are nearly always with regard to their own affairs and the salaries for articled clerks and the time off before examinations and the examinations themselves; the great buildings which the Institute should build in order to further the education of articled clerks all over the country, and various other items which we are considering in the Parker Committee. But I very seldom hear anybody say anything about the Institute at all. I appreciate perfectly well they are not members of the Institute and it is up to them to criticize the system of articles which they are enduring at the moment.

'But I would make this plea: that they would understand that great and undeniable proposition that the prospects of the individual are very closely linked with the success of the organization with which he is connected or hopes to be connected. I am not for one moment suggesting that the modern articled clerks, whom I am very fond of – and I am getting more fond of them the further I go – do not understand the old, old problem which is united we stand, divided we fall. My opinion is only this: we should keep in the forefront of our minds the fact that the only hope of success lies with the prosperity and advancement of the profession to which we belong or hope to belong.'

AN IMPORTANT OCCASION

Inauguration of Beds, Bucks and Herts Branch

The Beds, Bucks and Herts Group of the London and District Society of Chartered Accountants, was formally inaugurated as the first branch of the district society by Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute of Chartered Accountants in England and Wales, at a luncheon in Luton on Wednesday of last week.

The chairman of the group, Mr T. R. Keens, F.C.A., welcomed members together with representatives of the Institute and district society, including Mr Peat and Mr J. D. Russell, M.A., F.C.A., district society chairman, and of other groups outside the three counties. Mr E. K. Wright, M.A., F.C.A., a member of the Council of the Institute, proposed a resolution, which was passed unanimously, requesting the President to inaugurate the branch.

President's Tribute

In his address, Mr Peat said it was a very important occasion in the lives of both the Institute and the district society. The new branch, he said, would have help from the district society, which had carried on its organization 'with conspicuous success' for many years. It would also have the help of anyone who was connected with the Institute. He paid tribute to Mr Wright and to Mr A. C. Simmonds, F.C.A., who had been referred to as the 'godfathers' of the new branch, and to Mr Keens and Mr E. John Frary, F.C.A., whose executive work had brought it into being.

Mr Russell said he brought the greetings of the district society to the branch.

'This is a great event, and a new experience for the London and District Society,' he said. 'We feel in London that we stand to have a great benefit from your new constitution. We shall have to change our rules to provide for a representative of your branch on our committee.'

Until this was done, he invited the branch to send a representative to act as an observer at future meetings.

Officers of the Branch

Proposing the officers of the new branch, Mr H. L. Layton, M.S.M., F.C.A., a member of the Council of the Institute, said:

'You are indebted to the officers of the group. I am sure it is your wish that those officers should be installed as officers of the branch until the next annual general meeting.'

He said he was particularly pleased to propose that Mr T. R. Keens, the grandson of the late Sir Thomas Keens, a former President of The Society of Incorporated Accountants, should be elected as the first chairman of the branch; and Mr Frary, who had been so active in the service of the group, as secretary.

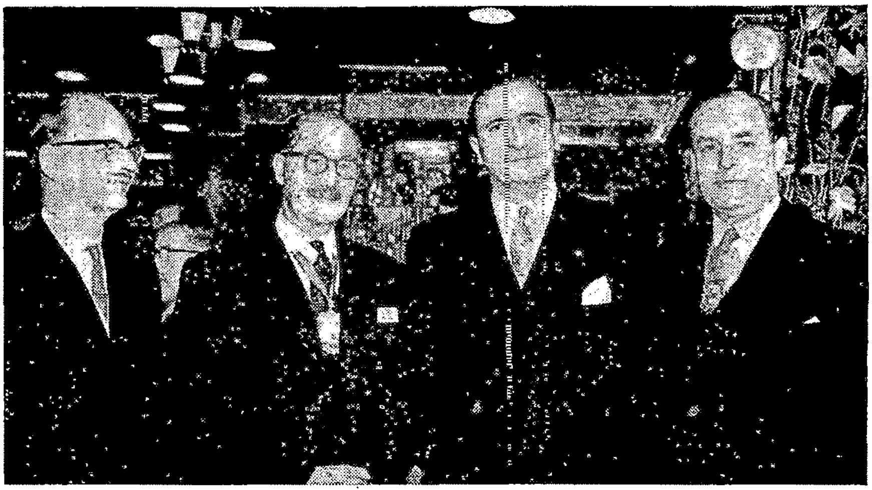
Mr Layton then proposed that the officers of the group should be elected officers of the branch, and that the committee members should form the branch committee. This resolution was passed unanimously.

A reply was made by Mr Keens, who gave thanks 'for the honour and trust that has been conferred

upon us. We shall try', he said, 'to justify the confidence, and hope to be an active unit.'

In a vote of thanks, Mr Frary assured Mr Peat and Mr Russell that the branch aimed to play a full part in the work of the Institute. He thanked them, and the other speakers, together with officers of the branch. Of Mr Keens, he said:

'To him we must credit a large measure of the work of the last eighteen months that has culminated in the formation of the branch. By wise leadership, by enthusiasm and by taking on much of the practical work involved, he has welded a collection of members into a happy committee.' (*Hear, Hear and Applause.*)



Left to right: Mr E. John Frary, A.C.A., Hon. Secretary; Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute; Mr T. R. Keens, F.C.A., Branch President; and Mr J. D. Russell, M.A., F.C.A., Chairman, London and District Society of Chartered Accountants.

ANSWERS TO 'A CHRISTMAS REMEMBRANCE'

The questions appear elsewhere in this issue.

1. New red sandstone.
2. (*a*) Sir Christopher Wren (*b*) Sir Joseph Paxton (*c*) Sir George Gilbert Scott.
3. Lorenzo Ghiberti.
4. St Thomas.
5. The entablature, or crowning part of a structure carried by the columns in the classic orders.
6. Andrea Palladio, an Italian architect who strove to revive the severity and dignity of Roman architecture.
7. Macrocosm or great world.
8. That the sun is the centre of the planetary system and that the earth and other planets revolve round it.
9. Orion.
10. An instrument formerly used by astrologers and others for measuring the altitudes of the heavenly bodies.
11. 238,000 miles.
12. Mgr W. T. Heard, Dean of the Sacred Roman Rota.
13. Southwell.
14. The first is the term given to certain books of the New Testament whose inspiration was not at first acknowledged by the Church. The second is the term applied to those which were instantly acknowledged.
15. The flight of Mohammed from Mecca to Medina in A.D. 622. The Mohammedan era and Moslem calendar date from that event.
16. Jansenism, named after Cornelius Jansen who first expounded its doctrine.
17. (*a*) John Webster (*b*) Bernard Shaw) (*c*) Marie Corelli.
18. Robert, Duke of Normandy (1028–35), famed for his daring and cruelty.
19. (*a*) There are two, one in Cambridgeshire and one in Sussex, near Brighton (*b*) Cromer Bay (*c*) a road near Blairgowrie, Perthshire.
20. Beelzebub.
21. A jury of London goldsmiths annually test coins issued by the Mint with samples previously placed in a box called the Pyx, kept by the Goldsmiths' Company.
22. A worthless bill.
23. Thomas Carlyle.
24. A measure to prevent testators leaving their property to accumulate for more than twenty-one years.
25. Sir Edmund Compton, K.B.E.
26. Swindling, in any form, or shirking.
27. (*a*) Greece (*b*) Spain (*c*) India.
28. (*a*) Portugal (*b*) Austria (*c*) Chile or Peru.
29. Hocks and Moselles. 'Spâtlese' applies to wines made from extra ripe grapes late gathered: 'auslese' to wines made from specially selected grapes.
30. An Italian sweet consisting of yolks of eggs beaten up in wine, sweetened, lightly cooked and served hot.
31. It was named after John Montagu, Fourth Earl of Sandwich, who once spent twenty-four hours continuously at the gaming tables during which he ate only beef placed between slices of bread.

32. (*a*) Suva (*b*) Entebbe (*c*) Lusaka.
33. Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.
34. (*a*) Haverfordwest (*b*) Wick (*c*) Enniskillen.
35. Devonshire, Lincolnshire and Norfolk.
36. Aycliffe, Basildon, Bracknell, Corby, Crawley, Cwmbran, Harlow, Hatfield and Welwyn Garden City, Hemel Hempstead, Peterlee and Stevenage.
37. (*a*) Hitchin (*b*) Hemel Hempstead (*c*) Hertford.
38. H.R.H. The Duke of Edinburgh, The Prince of Wales, The Duke of Gloucester, The Duke of Windsor, The Archbishop of Canterbury and The Lord High Chancellor.
39. George II.
40. Lord Frederick Cavendish.
41. The Junto.
42. 1809.
43. The green colouring matter in plants which helps in their nourishment by absorbing carbon dioxide from the atmosphere and producing carbo-hydrates.
44. Nyctanthous.
45. Sir Winston Churchill, on the site of the new college at Cambridge to be named after him.
46. (*a*) Scarlet (*b*) White (*c*) Pink.
47. Dickens's *Bleak House*
48. Lord Evershed, P.C.
49. Viscount Simonds, Lords Morton of Henryton, Reid, Radcliffe, Tucker, Cohen, Keith of Avonholm, Somervell of Harrow, and Denning.
50. The ability to raise 33,000 lbs. one foot in one minute.
51. (*a*) 4 (*b*) 24 (*c*) 1,000,000.
52. Leibniz (1646–1716 and Sir Isaac Newton (1642–1727).
53. (*a*) Hay or straw (*b*) fresh herrings (*c*) yarn, thread or silk.
54. Edward Cocker (1631–75) published an arithmetic book which came to be an authority of its kind.
55. Jane Austen's *Pride and Prejudice.*
56. Asmodeus.
57. Michael Henchard in Hardy's *The Mayor of Casterbridge.*
58. Tennyson's *Lotos-eaters* in the poem of that name.
59. A false assertion by a person of being married to another person.
60. (*a*) Shakespeare's *Twelfth Night.*
(*b*) Congreve's *The Mourning Bride.*
61. The Salvation Army.
62. *Trial by Jury.*
63. Claudio Monteverde *Orfeo* in 1608.
64. 'Four little nigger boys going out to sea;
A red herring swallowed one, and then there were three.'
65. A young pike.
66. (*a*) Conrad's *Lord Jim* (*b*) Stevenson's *Treasure Island* (*c*) Melville's *Moby Dick.*
67. Pipe line under the ocean.
68. The study of fish.
69. The Gotta in Sweden.
70. The one that was small was no use at all but the other won several prizes.
71. *The Two Gentlemen of Verona.*
72. Charles Lamb.
73. Edward Lear's Yonghy-Bonghy-B.
74. Russia; by Professor Demetriev at a congress of clowns in Moscow.
75. 'And what should they know of England who only England know?' – Rudyard Kipling.
76. Wordsworth, Coleridge and Southey.
77. Edmund Spenser.
78. Robert Bridges.
79. *A Subaltern's Love-Song* by John Betjeman.
80. The Speaker of the House of Commons.
81. (*a*) Mr Spencer Perceval, of Great Britain (*b*) Mr Bandaranaike, of Ceylon.
82. The Stewardship of the Manor of Northstead in Yorkshire.
83. (*a*) Signor Gronchi (*b*) Herr von Brentano (*c*) Monsieur Debré.
84. It was a revolt against capitalism in the direction opposite to socialism, calculated to discourage 'big business', to strengthen the 'small man' and to relocalize the population.
85. The Marquess of Salisbury, A. J. Balfour, Sir Henry Campbell-Bannerman and H. H. Asquith.
86. An equal-armed cross of which each arm is continued rectangularly, all clockwise or all counterclockwise, i.e. a swastika.
87. A cross and a circle intertwined, the centre of the circle being the junction of the two arms of the cross.
88. (*a*) Sable – prudence, wisdom and constancy (*b*) azure – chastity, loyalty and fidelity (*c*) vert – love, joy and abundance.
89. The art of secret writing.
90. (*a*) An engine (*b*) a black shield with a Maltese cross in white.
91. (*a*) Jean Anouilh (*b*) Tennessee Williams (*c*) Ugo Betti.
92. *The Aspern Papers.* Miss Flora Robson.
93. Herbert Beerbohm Tree and Mrs Patrick Campbell.
94. *King Oedipus*, *Oedipus at Colonus* and *Antigone.*
95. Queen's Theatre, Shaftesbury Avenue.
96. (*a*) Bears (*b*) apes (*c*) colts.
97. Bottom, in Shakespeare's *A Midsummer Night's Dream.*
98. Selima, in Gray's 'On a favourite cat, drowned in a tub of gold-fishes'.
99. 'That the stables are the real centre of the household'.
100. Ernest Hemingway.

Notes and Notices

PERSONAL

MESSRS COOPER BROTHERS & Co, Messrs COOPERS & LYBRAND and SOCIETE ANONYME FIDUCIAIRE SUISSE (SCHWEIZERISCHE TREUHANDGESELLSCHAFT) of 90 Freie Strasse, Basle, announce that they have formed the Swiss firm of COOPERS & LYBRAND A.G. with offices at Basle, Zürich, Geneva, Lausanne and Milan.

MESSRS CRITCHLEY, WARD & PIGOTT, Chartered Accountants, of 1–5 Broad Street, Oxford, announce that on December 1st, 1959, Mr H. S. CRITCHLEY, F.C.A., senior partner and founder of the firm in 1906, retired from active participation in the practice but will remain available in an advisory capacity. On the same date Mr R. W. SNELL, F.C.A., and Mr R. G. BELL, A.C.A., were admitted to the partnership.

MESSRS JAMES MESTON & Co, Chartered Accountants, announce that as from December 21st, 1959, their offices will be at 10 Cork Street, London, W1. Telephone: Regent 2966.

MESSRS LAMBETH, JOHNSTONE & Co, Chartered Accountants, of London, Cheltenham and Stroud, announce that as from January 1st, 1960, the firm will be styled LAMBETH, ORR & Co. The constitution of the firm remains unaltered.

PROFESSIONAL NOTES

Mr John S. Hassal, F.C.A., has been appointed chairman, and Mr Harold A. Bainbridge, A.C.A., secretary, of the Hunasgeria Tea Co.

Mr J. B. Peat, A.C.A., has been appointed an associate director of Lansing Bagnall Ltd and of its subsidiary J. E. Shay.

Lt.-Col. P. F. Benton Jones, O.B.E., M.A., A.C.A., has been elected chairman of the executive board of the British Tar Confederation.

Mr F. A. Ross, A.C.A., has been appointed to the board of Buell (1952) Ltd.

Mr F. S. Grindrod, A.S.A.A., A.I.M.T.A., deputy chief accountant to the Eastern Electricity Board, has been appointed chief accountant as from January 1st, 1960.

THE INCOME TAXPAYERS' SOCIETY

Supplement to Index of Tax Cases

The *1959 Supplement to Index and Digest of Tax Cases* has been published by the Income Taxpayers' Society. This supplement covers cases decided during the year ended July 31st, 1959.

An alphabetical and subject-matter index prepared cumulatively from 1957 facilitates quick reference to the previous judgments in cases where there has been an appeal. The publication is available only to members of the Society.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Taxation and Research Committee

The 106th meeting of the Taxation and Research Committee of The Institute of Chartered Accountants in England and Wales was held at the Institute on Thursday, December 10th, 1959.

Present: Mr A. H. Proud (in the chair); Messrs G. F. Ansell, C. W. Aston, R. D. R. Bateman, M.B.E., C. V. Best, A. Blackburn, R. P. Brown, J. Cartner, J. B. L. Clark, C.B.E., L. H. Clark, S. M. Duncan, W. F. Edwards, N. Cassleton Elliott, A. R. English, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., T.D., W. S. Hayes, J. S. F. Hill, G. N. Hunter, R. O. A. Keel, J. A. B. Keeling, D.F.C., H. Kirton, S. Kitchen, E. N. Macdonald, D.F.C., C. F. Millard, G. P. Morgan-Jones, F. S. Mowforth, L. Pells, C. J. Peyton, D. W. Robertson, W. G. A. Russell, H. C. Shaw, H. Eden Smith, A. E. Spicer, D. E. T. Tanfield, D. T. Veale, J. W. Walkden, T. S. Welch, and G. H. Yarnell, with the Secretary.

Council Memoranda

It was reported that, following the submission of memoranda by the Taxation and Research Committee, the Council had authorized the submission of memoranda to the Chancellor of the Exchequer on Building Societies and on Overseas Trade Corporations. The Council had also authorized the sending of a letter to the Chairman of the Board of Inland Revenue in connection with the review of the penalty provisions on the Income Tax Acts.

Standing Sub-Committees

Reports from the following Standing Sub-Committees were received:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc *Sub-Committees*

Progress reports were received from three special sub-committees.

Future Meetings

The next meeting of the Committee will be held on Thursday, February 18th, 1960, and the following dates were provisionally fixed for other meetings in 1960:

Thursday, April 21st, 1960.
„ June 16th, 1960.
„ September 22nd, 1960.
„ October 20th, 1960.
„ December 15th, 1960.

IN PARLIAMENT

Radcliffe Committee: Evidence

Mr BIGGS-DAVISON asked the Chancellor of the Exchequer when the evidence taken before the Radcliffe Committee will be published, and in what form.

Sir E. BOYLE: It is expected that publication will take place next March. The evidence amounts to nearly 1,800 printed pages and will be issued in four parts, one volume containing all the oral evidence and three volumes containing written evidence.

Hansard, Dec. 10th, 1959. Written Answers. Col. 75.

Commercial Buildings: Capital Allowances

Mr HOLMAN asked the Chancellor of the Exchequer what representations he has received from national organizations about depreciation allowances on commercial buildings which were the subject of recommendations by the Committee on the Taxation of Trading Profits in 1951 and by the Royal Commission on Taxation of Profits and Income in 1955; and what was his reply.

Mr AMORY: I have received various representations asking for the introduction of capital allowances for commercial buildings and have promised to consider them.

Hansard, Dec. 8th, 1959. Written Answers. Col. 24.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

A joint meeting of the South Wales and Monmouthshire Society of Chartered Accountants and the Association of Inspectors of Taxes (Cardiff Centre) was held at Cardiff recently when Mr C. R. Daniel, F.C.A., President of the Society, presided.

The meeting took the form of a brains trust consisting of a panel of six, three representatives of the Association, and three members of the District Society. Representing the District Society were Mr J. C. Montgomery Williams, F.C.A. (Swansea), Mr Paul F. Spurway, M.A., F.C.A. (Cardiff), and Mr P. J. Tombleson, A.C.A. (Cardiff); the three representatives of the Association of Tax Inspectors were Mr T. D. Thane (Newport 1st District), Mr H. S. Roderick (Cardiff 3rd District), and Mr H. E. Hamilton (Cardiff 4th District).

Questions of interest and benefit were dealt with, and a vote of thanks to the chairman and to the members of the panel was proposed by Mr Dennis H. Morgan, O.B.E., F.C.A., and seconded by Mr Mervyn Morgan (Cardiff 3rd District). The President proposed a vote of thanks to Mr E. Ewart Pearce, M.B.E., J.P., F.C.A., for the trouble he had taken in arranging the meeting.

FESTIVAL IN THE SHETLANDS

Upon the suggestion of Mr John L. Arcus, F.P.A., senior partner in the firm of John L. Arcus & Sons, Chartered Accountants, of Wellington, New Zealand, a week-long 'hamefarin', or home-coming festival is to be staged in the Shetland Islands from May 20th to 27th next year.

Mr Arcus was born in New Zealand, but his parents were married in the Shetlands in 1860. He visited the islands in 1945 and again last year when he suggested to the local authorities that he might arrange for a party of New Zealanders of Shetland birth or descent to 'come home' in 1960. The idea was readily adopted and already more than fifty New Zealanders have booked passages. The secretary of the organizing committee has stated that there is every possibility of Shetland exiles attending from Australia, Canada, and the United States. We extend our good wishes for the success of Mr Arcus's idea.

ANNUAL ABSTRACT OF STATISTICS

The 1959 edition of the *Annual Abstract of Statistics*,[1] published last week by the Central Statistical Office, consists of 348 tables of official statistics together with an index of their sources. A wide range of subjects is covered by the tables including the national income and expenditure of the United Kingdom, balance of payments, social conditions and public health.

The introduction explains that the tables given in the *Abstract* contain the latest statistics available, even though they may not yet have appeared in departmental publications. It also refers to a new table on local authorities as well as to tables which have been deleted or revised.

APPROVED AUDITORS

The Chief Registrar of Friendly Societies has issued a supplementary list of approved auditors giving the names of sixty additional appointments and the names of thirty-one whose appointments have been discontinued.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

At a meeting of the Dublin Society of Chartered Accountants, held at *The Royal Hibernian Hotel*, Dublin, on November 30th, Mr John Love, F.C.A., Chairman of the Society, presided and introduced the guest speaker – Mr Bertram Nelson, C.B.E., F.C.A., member of the Council of The Institute of Chartered Accountants in England and Wales, to some sixty members, students and guests.

In an interesting address on the 'Future of the profession' Mr Nelson dwelt on a number of points which, he said, gave food for thought. He pointed

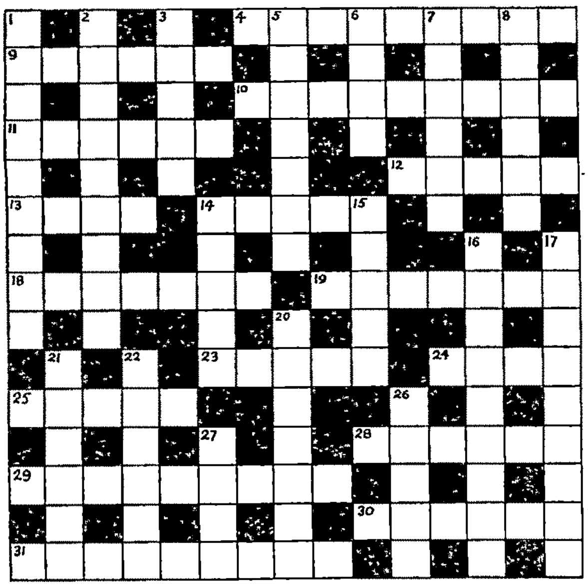
[1] H.M.S.O. Price £1 1s.

out that some hard thinking would have to be done about the direction in which future development would take place. Certain assumptions as to what was the function of the auditor were becoming current, he said, which indicated a departure from the traditional and there was a tendency to consider that the auditor's responsibility extended into the realm of policy and simultaneously a trend towards enlargement of the area of his legal responsibility. Mr Nelson stressed that further competition would have to be met from new organizations specializing in new techniques, while at the same time little progress seems to have been made in development of specialization within the profession or in making available to the general practitioner the fruits of what specialized knowledge existed within its ranks.

He went on to refer to other problems on which much thinking was required, such as research into basic principles, staffing of professional offices and education and training of articled clerks.

CROSSWORD FOR CHRISTMAS

Compiled by Kenneth Trickett, A.C.A.



ACROSS

4. A deed under seal (9).
9. Exchange on producing a voucher (6).
10. Will she? (9).
11. Still owing (6).
12. All ———, charges and expenses properly incurred in the winding up . . . (Section 309, Companies Act, 1948) (5).
13. Bookmakers controlling the market (4).
14. Corresponding alternative to 13 which sounds correct (5).
18. Perform like a personal representative (7).
19. Search after short bill of exchange and get what is left (7).
23. . . . the Commissioners may ——— the treble rate of tax . . . (Section 52 (7), Income Tax Act, 1952) (5).
24. Devolve as part of an investment (4).
25. Three less than half of 28 (5).
28. Occupier (6).
29. Action due to be disposed of (9).
30. Trader from Kent? (6).
31. Most of a joint estate cannot be 10 (9).

DOWN

1. Insurance calculators (9).
2. Prosecuted, involving pay out – it's stopped (9).
3. Oil of reversed page (5)
5. Mark over 100 (7).
6. This page carries the financial news (4).
7. Non-U sale results in Court proceedings (6).
8. Number of days allowed for appealing against profits tax assessment (6).
14. A company may do this to its nominal capital without affecting real capital (5).
15. This contingency could happen in nineteen-seventy (5).
16. Separate fellow-member, privately (9).
17. This meeting is held soon after commencing business (9).
20. Money advanced, stamped by the sound of it (7).
21. Send back an official report (6).
22. Adjust differences to bestow legally (6).
26. Income tax shall not be charged in respect of a ——— vested in a local authority. . . (Section 453, Income Tax Act, 1952) (5).
27. This must be wrong (4).

The solution will be published in next week's issue.

The Recognised Weekly Organ for Chartered Accountants and Accountancy throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

DECEMBER 26TH, 1959 VOL. CXLI. NO. 4436

The Profession in 1959

IN concluding our review of 1958 twelve months ago, we made the cautious forecast that in 1959 the electronic computer would become an indispensable adjunct to an ever-growing section of the business population. The recognition of this trend by the various professional bodies has been demonstrated in a number of ways during the present year. The Institute of Chartered Accountants of Scotland, for example, held two computer courses at Troon in April and October and The Institute of Cost and Works Accountants one at Oxford in November. The Association of Certified and Corporate Accountants also held a course at Oxford in April and published, in October, the inaugural two pamphlets of a series for accountants and management at all levels in which the impact of electronic computers on business activities will be considered. Among future titles, one of particular interest to members in practice is 'The role of the auditor in planning for a computer'.

For a number of years now, The Institute of Chartered Accountants in England and Wales, The American Institute of Certified Public Accountants and professional bodies in Canada and Australia among other countries have issued, for the guidance of their members, periodic statements on the principles which should be followed in dealing with certain practical accounting matters. There exists among accountants themselves an element of opposition to this practice on the grounds that each individual member should be able to think out his own attitudes and policies without the aid of official recommendations, perceptive though these may be. No one, however, has ever challenged the right of the professional bodies to make such *obiter dicta* until this year when three public utility companies obtained an injunction restraining the American Institute from issuing a letter interpreting the phrase 'a deferred tax account' used in one of its research bulletins on 'declining-balance depreciation'. The paragraph to which the plaintiffs objected ran:

> 'The committee used the phrase in its ordinary connotation of an account to be shown in the balance sheet as a liability or a deferred credit. A provision in recognition of the deferral of income taxes, being required for the proper determination of net income, should not at the same time result in a credit to earned surplus or to any other account included in the stockholders' equity section of the balance sheet.'

Their contention was that by removing from the equity section of their balance sheets provisions for future taxation, their short-term borrowing powers and other financial activities might

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be seriously resticted. The action was, in fact, a tribute to the influence of the American Institute and, after a series of alternating Court decisions, the injunction was set aside.

During 1959, two countries took legislative steps to regulate the accountancy profession within their boundaries. In February, the House of Representatives introduced a Bill, since enacted, to provide for the establishment of The Institute of Chartered Accountants of Ceylon. It provided that recognized accountants and local registered accountants would be, in the first instance, eligible for membership and, thereafter, entrance would be by practical training and examinations as prescribed and directed by the Council of the new Institute. The Netherlands Government considered, in August, a Bill to inaugurate a register in which would be entered the names of those who had already given evidence on professional competence and of those who, in the future, passed the examinations to be conducted by a new organization to be known as the Netherlands Institute of Registered Accountants.

The Scottish Institute's new curriculum, announced this year, will come into operation in 1960. Its main feature will be the much discussed 'academic year' into which apprentices will concentrate their compulsory university classes in accounting, economics and law. There will be no radical changes in the subjects comprising the examination syllabus. In the recently announced revised examination programme of the Association, however, greater emphasis than before will be placed on making the young qualified member more familiar with the techniques of industrial accounting. The Parker Committee, appointed in August of last year by the English Institute to consider and make recommendations on the most appropriate form of professional education and training, has been receiving evidence throughout 1959 for its report, which is everywhere keenly awaited.

The awards given by this journal for merit in the form and content of company reports and accounts were won this year by The British Oxygen Co Ltd and General Refractories Ltd. The presentation was made at the Mansion House by the then Lord Mayor of London, SIR HAROLD GILLETT, M.C., F.C.A., the fourth chartered accountant to hold that high office since 1922. In other spheres of public activity, also, chartered accountants continued in 1959 to render distinguished service. Perhaps the most pleasing example in a long list was the inclusion of MR W. H. LAWSON, C.B.E., B.A., F.C.A., and MR WILLIAM WATSON, C.A., among the thirteen members of the committee recently set up under the chairmanship of LORD JENKINS to review and report on possible company law reforms. In January, a Royal Charter of Incorporation was granted to The Institute of Municipal Treasurers and Accountants now in the seventy-fourth year of its existence.

In the field of taxation legislation, on which every accountant must keep a watchful eye, 1959 was happily a year of alleviation rather than of fresh imposition. The most important changes which the new Finance Act produced were cuts in the standard rate and reduced rates of income tax and a general restoration of investment allowances, both giving a welcome impetus to industrial expansion. Another deservedly popular taxation measure of the year was the Income Tax (Repayment of Post-War Credits) Act which, at long last, gave practical expression to oft repeated hopes and promises.

Both the English and the Scottish Institutes were among professional bodies which in 1959 answered a questionnaire issued by the Metric Committee of the British Association for the Advancement of Science now examining the possibility of introducing a metric system of weights and measures and decimal coinage into the United Kingdom and it is interesting to note how closely their views accorded. In confining their answers to the section of the questionnaire dealing with currency, both agreed that decimalization was desirable and that if a changeover were made, the profession, for its part, should encounter no major transitional difficulties.

Unless something of outstanding significance happens in the next few days, 1959 must be regarded as a comparatively uneventful year in the accountancy calendar. But as history, according to THOMAS CARLYLE, is simply the essence of innumerable biographies, so the progress of any profession is no more than the distillation of the conduct and careers of those who practise it. By this way of reckoning, accountancy has certainly advanced during this year and in 1960 its reputation in the world of affairs should rise even higher through the efforts of its members.

Indian Report on Management Accounting

IT is more than nine years since the appearance of the report published by the Anglo-American Council on Productivity following a visit paid to the U.S.A. in 1950 by a specialist team whose task was to study the use made by American managements of accounting, costing and statistical information. The report drew the attention of the British public to the wide gap in achievement between British and American managers in this respect, and highlighted the area of 'management accounting' as that in which improvement was most urgently required.

The principal aim of the 1950 report was to draw attention to two important aspects of the American scene: the reliance which managers placed upon quantitative reports, which they were specially trained to understand, as a basis for [illegible]ion-making; and the consequent great scope [illegible]merican accountants enjoyed directly to [illegible] managerial function. Implicit in all [illegible]he report and explicitly stated in [illegible] criticism of both managers and [illegible] Britain; the former in many [illegible]o use for objective quantitative [illegible]is for their decisions, and the [illegible]iling through inappreciation to [illegible]

[illegible]e fact that the specialist team was [illegible]posed of accountants in industry [illegible]s a barrier to prevent its message [illegible]ching the body of the profession. [illegible]son may explain why, in spite of the [illegible]ty given to the subject by the Council [illegible]he Institute of Chartered Accountants in [illegible]gland and Wales, very few firms of accountants [illegible]ave set up departments or engaged staff to provide such services for their clients. It may also be due to the fact that the report was too summary a document, and that, at a time when no textbook on current American practice was available in this country, a more detailed explanation together with examples of actual applications were required to demonstrate to British accountants that management accounting was neither revolutionary, nor costly, nor beyond their technical capabilities.

A new report[1] has now appeared relating to a visit made to the United States in 1957 by an Indian management accounting team nominated by the Council of The Institute of Chartered Accountants of India, under the sponsorship of the Ford Foundation. The report is, in fact, far more than its title suggests. Underlying it is the belief that all accounting should be management accounting, and it therefore contains a comprehensive review of the best contemporary accounting practices in the U.S.A. and, indeed, elsewhere. The report is copiously illustrated with graphs and other diagrams, charts of accounts and organizational charts, financial and cost accounting statements; it has a comprehensive bibliography and shows accounting period calendars for thirteen-period, four-four-five period, twenty-one work-day month and ten-period years. It is a remarkable achievement for MR CHOPRA, a past President of the Indian Institute, who is also a member of the English Institute, and his colleagues to have produced a substantial work of over 200 large and closely printed pages on the basis of only a six-weeks' visit to the U.S.A.

The report contains discussions of accounting theory, administrative organization, financial control, uniform accounting, forecasting and budgeting, standard and actual costing, reporting to management, pricing policies, data processing, operational research, internal auditing and other topics of prime significance to accountants today. A further substantial section is devoted to examinations of aspects of accountancy education and the function of professional bodies in widening an appreciation of what modern accountancy can bring to problems of social and economic organization.

[1] *Report on Management Accounting*, by S. Prakash Chopra, S. N. Desai and E. V. Srinivasan. (S. Prakash Chopra and S. N. Desai. New Delhi.)

Indian readers will place particular value on the manner in which the report attempts to lay down a programme in accordance with which the potential usefulness of accountancy can be brought to the attention, not only of accountants, but also of industrial and commercial managers, government officials and educators. In this connection, the report points out that:

> '. . . the size of industrial, commercial and financial houses in India is comparatively small . . . there is the impression in some quarters that scientific methods of management and measurement, though useful, are essential only for larger-sized concerns. . . . We are inclined to challenge this view and are of the opinion that scientific methods, suitably adapted and simplified, could and should be usefully introduced in smaller businesses such as those existing in India. Another typically Indian problem is the one popularly known as the controversy over the relative merits and demerits of management in enterprises in the *public sector* and the *private sector*, respectively. An impression seems to prevail that the management in the *private sector* must necessarily be more efficient. This to us does not appear quite logical or correct.'

It may be felt by some that these conditions are not typical of India alone. Chapter 20 of the report, on 'Modernization of Government accounting', describes the manner in which the United States Government has availed itself in recent years of the skill and knowledge of qualified accountants, both as employees and consultants. This may well be compared with the position in the Comptroller and Auditor-General's department in the United Kingdom, where not one member of the staff is a qualified accountant, or with the remarkable omission of a chartered accountant from the Radcliffe Committee, in order to appreciate the relevance to the British scene, of observations originally intended for Indian readers.

The same is true of Chapter 26, on 'Development of knowledge of management accounting in India'. The authors of the report emphasize the necessity for individual effort, for research sponsored by their professional body (perhaps aided by a Government subsidy), for research at the university level and, above all, for a greater interest on the part of industry and the professional accountants.

'Chartered accountants', they say, with point, 'should grow out of being merely reporters of history, or middle-men, or advisers in the settlement of income tax or like problems. All th
are services that help, but they are not
connected with "production" or "pro
which needs the foremost atten
country.'

Meet the Small Investor

by GORDON CUMMINGS, A.C.A.

THE 'small investor' has been growing as a person of importance in the reckonings of stock exchange and unit trust circles. Who is he – or she? How does he become interested in share markets? What are his motives or objectives? How important is he, and will he be, in the whole scheme of investment? The answers to these and other questions have so far been matters of conjecture; there have been no hard facts.

Now, however, we have something to work on and inspire others to seek out more data. The Acton Society Trust, a non-profit-making independent research body, has completed a valuable piece of research work which, if only a pioneering start, gives a useful, and what later may pr
fairly accurate, picture of today's small
Selected from a much larger list of cli
vided by a number of stockbrokers an
trusts, the report, *Wider Shareholding*,[1]
marizes the anonymous replies of 1,600 resp
ents from all walks of life. Additional facts a
based on interviews with 210 workers in com
panies operating employee share-owning schemes

The Typical Small Investor

The most interesting human fact emerging from

[1] Acton Society Trust, 39 Welbeck Street, London, W1. 8*s* 6*d*, plus 6*d* postage.

the sample is the profile of the typical small investor. He is more likely to be a man than a woman – the ratio is 5 to 1. He is probably a member of the lower middle or upper working class who left school at sixteen. Married, he may have one child who may soon be independent and, sharing in the general post-war rise in pay, his total weekly income averages about £17 compared with the national average of £13 for men. Before launching into share investment he will almost certainly have opened a bank account, will probably have his life insured and have money in the Post Office or a trustee savings bank and National Savings, as well as keeping a cash reserve of £100. But once he has started buying shares he may close his Post Office account and cash his National Savings.

While he may, or may not, have owned his house first, he is almost certain to have one ten years later. He is, however, still interested in building societies as an alternative investment for surplus cash. Though he may have discussed it with friends, he probably made his first share investment without taking any advice; the idea came from study, including the 'city column' of newspapers. His first purchase since the war was about £75 and additions will have brought up the total to nearly £1,000, to which he hopes to add £100 next year and in subsequent years.

No doubt reflecting the spread of share investment in the lower income fields – a trend obviously stimulated by the success and publicity efforts of unit trusts – the initial investment is less than in pre-war days. Two-thirds of the new investors in the Acton Trust's sample initially put in less than £100 compared with only 30 per cent before the war; and 20 per cent today first invest less than £20. The median initial venture has fallen from £188 in 1936–40 to £70, according to the sample.

The reasons for getting the idea that it would be a 'good thing' to buy shares are illuminating. Based on the whole sample, study (58 per cent) and newspapers (42 per cent) are far away the most important factors, with advertisements (28 per cent) and friends (22 per cent) coming next. Significantly, accounts experience produced a 19 per cent average while relatives influence matters to the extent of 16 per cent and bank managers of 6 per cent. Women get their inspiration mostly from relatives.

Having got the idea the next step is naturally the advice, if any, sought. Over half of these small investors – 55 per cent to be exact – did not seek any advice; again they worked things out for themselves from newspapers, advertisements and study. Of those who did ask for advice the percentage going to a stockbroker was eighteen, to a bank manager seventeen, to the city editor of a newspaper eleven, to friends eleven, to relatives eight and to anyone else six. Reflecting faith in their own judgment, or brashness, the under-fifties sought significantly less advice. The older the investor, the greater the tendency to consult stockbrokers, bank managers and City editors. And men claimed that they took advice less often than women.

Obstacles to Wider Shareholding

If these and other findings in the report do nothing else, they will at least stimulate thought as to how the small investor can be encouraged to invest more in stock-markets; and as to whether it is desirable, or feasible, to accelerate the growth of a share-owning democracy. Five obstacles commonly referred to as holding back the spread of such investment are listed as: (1) fiscal handicaps; (2) complexity; (3) the high cost to brokers of small investment; (4) ignorance and antagonism; and (5) the difficulties of risk-spreading in small investment. They call for comment.

Fiscal changes are entirely a matter for Government action; all that the Stock Exchange and other interested bodies can do, and are doing, is to direct attention to their hampering effects. The 2 per cent stamp duty on share transfers is the greatest handicap by reason of the addition to the cost of investment. Deduction of income tax from dividends likewise tends to restrain interest on the part of those liable at less than the standard rate. The answer seems to be a revolutionary change to gross payments of all dividends and interest, or to payment of gross sums of up to, say, £10 or £20 without any deduction.

Undoubtedly, the major source of complexity on the 'paper' side of stock exchange investment is the cumbrous machinery for transferring ownership. At the best there have to be several passings to and fro of documents, while if 'splits' are involved the work increases sharply. Inevitable delays are serious enough in normal times but, as has happened since the General Election, a boom in markets can play havoc with the prompt working of the most efficient broker's office.

Streamlining Stock Exchange Procedure

Already the London Stock Exchange, together with other bodies, is giving active thought to ways of streamlining the existing methods. A first step is the coming mechanization of the Stock Exchange's clearing department, which does so much to reduce paper work in the most active securities. So long, however, as the present system of registration continues so long will the whole machine creak and burst its bounds. Abolition of stamp duty would allow of the wider use of bearer shares transferable without written deeds, or of some simpler method of passing over ownership.

This in turn would reduce the running costs of brokers' offices and make it more reasonable to think of cuts in their scale of commission. But, in the view of the writer, any such cuts and reductions in stamp duty would still not lower the economic minimum to invest in one security to less than about £50. If anyone wants to venture less in share markets the obvious choice is a unit trust. And even here a desirable minimum would seem to be not much below the same £50 for a single once-for-all investment and some £25 as the start of a regular savings scheme. It is a sobering thought that the managers of a unit trust with a very low average investment might find it difficult to cover running expenses out of the service and other charges allowed by Board of Trade rules.

Ignorance and Antagonism

There is no begging the fact that despite growingly successful efforts to put the Stock Exchange and its functions into their correct perspective, ignorance and some antagonism linger on. It is important to note, however, that the Council of the London Stock Exchange has made considerable efforts in post-war years to correct wrong ideas and to take the investing public 'behind the scenes'. True, these efforts may not be on the scale of its New York counterpart; but in making comparisons it is well to remember the different and more ebullient approach to such matters in America, where publicity is part of the way of life.

The visitor's gallery which the Stock Exchange opened some years ago has become one of the most popular London sights. A colour film, *My Word is My Bond*, is freely available for showing to any interested body. A panel of lecturers is on tap, while literature and articles can be obtained for use in house journals and other publications. Soon, it is understood, special material will be ready for use in schools, where much can be done to inform the younger generation of a market which, if the findings of the Acton report are a true forecast, they will use much more than their grandparents.

Such efforts, combined with the employment of public relations consultants, cannot help but make one think that some of the remaining ignorance is possibly due to the fact that those who could, and should, be making use of the facilities are not doing so on the scale demanded by the small investor. Radio and television, clubs, 'house' and other publications . . . those responsible for these and other methods of spreading knowledge might well consider whether they are doing a full job. If my experience is any guide, many more people than are sometimes thought to be interested in stock exchange investment, want to know much more about it. And they come from all walks of life.

Trends in Investor Outlook

Antagonism, as the Acton inquiry into employee-share schemes shows, is probably small and diminishing. Of those interviewed in this section, only seven quoted moral or political reasons for not wanting to invest in shares.

Though newspapers were criticized for not devoting more space to financial affairs, it is fair to look at what they are doing and to consider that the 'City' is one only of the many demands on space. Through their columns and free advisory services, the City editors of most of the popular newspapers are doing more and more to inform and guide their readers.

Finally, drawing again on some actual contact with the growth of the small share investor, I find two trends of particular moment. First, though the advantages of spreading risks by buying unit trust shares are widely appreciated, many, as the survey confirms, want to use their own judgement, knowledge or studies to invest directly in the shares of one or more companies. Secondly, a goodly proportion of the younger men and married women are more concerned about growth, or capital appreciation, than immediate dividends.

How To Control Costs

IV – PRODUCTIVE LABOUR COSTING

by R. G. H. NELSON, A.C.A., A.C.W.A.

Basic Labour Records

THE young industrial accountant entering any plant or facility for the first time may well have a momentary feeling of panic at the sight of men engaged on a multiplicity of jobs which are unfamiliar to him.

Labour costing and payroll accounting can offer problems of some complexity, particularly under a system of payment by results. Examples of such difficulties are:

(i) the establishment of 'credit points' or 'cut-off points' to enable the payment of job remuneration on uncompleted work;
(ii) the determination of the value of labour in process at any moment;
(iii) the calculation and allocation to costs of supplementary compensation during the learning period on a new job.

These, however, are primarily engineering or production control problems. The basic routines of accounting for labour are simple and are illustrated in Fig. 1. They comprise methods of ensuring:

(*a*) that a man is paid for the time he is required to attend the place of work (gate recording and payroll routine);
(*b*) that this time is utilized in the interests of the employer (job recording);
(*c*) that the production achieved is in accordance with some predetermined plan (production control);
(*d*) that the cost of such time is allocated correctly to the units of output produced (job costing);
(*e*) that the cost of work done is in accordance with a predetermined budget (budgetary control);
(*f*) that the work is performed efficiently in relation to some predetermined standard (work standards comparison).

Points (*e*) and (*f*) can of course, be combined in a system of standard costing.

It will be seen that the main differences between labour records under various systems of costing are in the degree of analysis possible in the work in process records.

Previous articles in this series were: I – 'Collecting budget information', *The Accountant*, October 3rd, 1959 issue; II – 'Cash forecasting and working capital position', *The Accountant*, October 17th, 1959 issue; III – 'Control of capital expenditure', *The Accountant*, November 28th, 1959 issue.

Where, in the case of process costing, it is possible to post direct from the payroll analysis to process accounts, no further detailed breakdown of labour cost may be necessary.

In the case of job costing, where the jobs or contracts are sufficiently large, it may be possible to have a work in process account for each job and to keep merely memorandum time analysis of the various components, parts or operations.

In the case of assembly line costing, it may be necessary to treat each component or operation as a separate cost centre, reconciling with a general work in process control account.

At the same time as he is confirming or elaborating the necessary systems, the accountant will be familiarizing himself with the technical details of the work carried out, and with the names and personalities of as many as possible of the individual foremen, charge-hands and operatives. The accountant will often need to investigate variations in job times and his inquiries will be more acceptable to the operative if he has already taken the trouble of learning about the nature and difficulties of the job, and knows how the operative himself thinks about his work.

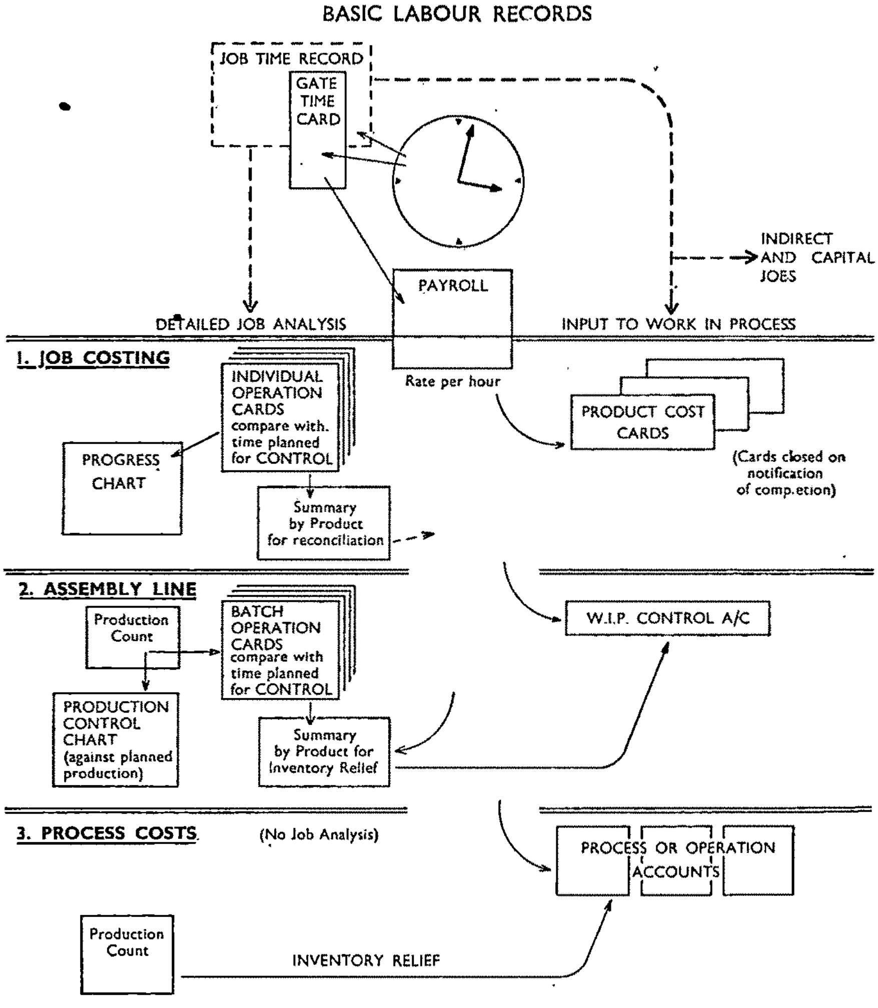
Time Recording

In general, it will be necessary to collect gate times for payroll purposes, though if the degree of irregularity is not great it may be possible merely to record late arrivals, absentees, and workers on overtime. This could be done either by the workers themselves or by the foreman or time clerk; but in any case the record should be an agreed one if payroll queries are to be avoided.

When a system of job time recording is in use, the business of recording gate times may not require much attention from the cost accountant. However, there are possibilities of concealed idle time when a man's time on the job is not recorded independently of the gate check. This will occur, for example, when the place of work is some distance from the gate, or where there is no visual control to ensure that having clocked in, the worker does go directly to the job.

The clocking facilities must be sufficient to cope with the peak load of arrivals and departures, otherwise minutes of work will be lost at both

BASIC LABOUR RECORDS



NOTE. Budgetary control will be applied at the most convenient point (departmental payroll, operation cost, product cost).

Fig. 1

ends of the day. In the morning, bookings may continue throughout whatever concessionary paid delay may be allowed; and in the evening there will be a rush to avoid being at the end of the queue. An important point here, particularly for factories in suburban areas, is to ensure that transport timings allow for the unavoidable delay in clocking on or off.

With regard to job bookings, the objective again must be to keep booking time to the minimum consistent with adequate records. Adequacy is a question of fact, and may vary from time to time. In the experimental stage of a new project it may be necessary to book each individual operation, in order to build up accurate estimates for groups of operations or stages; and subsequently the number of job changes may be limited to those stages. Where time and motion studies are possible, such control times can be built up without the need for detailed time bookings by the operative.

Job recording offers numerous possibilities for ingenious streamlining and the two main considerations worth attention are:

(*a*) Who shall do the recording? and

(*b*) With what other records can the job time record be combined?

In general, the job record may be made out either by the worker himself, by his foreman or supervisor, or by a time recording unit. The last alternative appears at first sight to give the best guarantee of impartial recording and can be done in one of three ways:

(i) by making the worker report job changes at the central timekeeping office;

(ii) by locating time clerks at each main work centre;

(iii) by having peripatetic time clerks recording those jobs on which they see workers actually employed.

Unless job changes are very infrequent, the last alternative cannot give great accuracy; while method (ii), though accurate, is costly in indirect labour. The use of a central time office almost always involves wasting the time of workers while they are recording job changes; in spite of rules to the contrary, the worker may have opportunities of saving up his job change reports so that the advantage of an independent time check is lost.

I recall one workshop employing 170 operatives, where the work was broken down into operations some of which were valued as low as half an hour. It was found that on average each operative spent ten minutes per day booking job changes at a central time office – a total loss of 1,700 minutes (28 hours 20 minutes) productive time each day.

There are certain cases where a daily or weekly time-sheet made out at the operative's convenience will give adequate information. Some idle time will be concealed, of course, but no factory will ever achieve 100 per cent utilization of its man-power, and the balance between discipline and individual freedom must be assessed by each concern for itself.

The method by which the worker records his own time is best used only where the job is not being performed against target, so that no benefit could arise to the worker from inexact recording.

The most generally practicable expedient, therefore, is for the foreman or supervisor to record the job times of men under his control; and this method has the additional merit of emphasizing the foreman's responsibility for the utilization and efficiency of his labour force.

Foremen and charge-hands are not less liable to temptation than their men, and a foreman keeping time records for his section will again tend to hide idle time and to conceal inefficient operations by making adjustments of times between good and bad jobs. All this may to some extent be unconscious – a conditioned reflex to planning and control – which indicates that the best safeguard against it is complete honesty and a spirit of partnership between the different levels of management.

As to the form of the job time record, it may be a completely self-contained document, or it may be combined with a record of production where applicable (either in quantity or in standard hours produced); or it may be combined with the gate record. The last method is illustrated in Fig. 2. In the system for which this form was used, the gate clock was adjusted to print times 'in' and 'out' along the bottom of the card, while the consecutive job times were listed above, either manually by the foreman or by inserting the card sideways into a small clock adjacent to the work place. Each man had a fresh card each morning, and having clocked on, he carried the card with him until leaving the factory at night. A modification of this would be to have gang or sectional card racks in the workshop. The advantages of this type of card were:

(i) no time was lost by the operative in clocking on and off jobs;

(ii) the time office did not have to reconcile two sets of records. The vertical addition of a man's job times should equal the cross cast of his gate times.

The main disadvantages were the high usage of cards and the fact that as they were kept filed in date order it took some time to pick out the week's cards for any operative who queried his pay.

Where any difference existed between job and gate hours, this was entered on the card as 'unutilized time', and a daily comptometer summary of this was made and reported to the works manager as a percentage on total gate times for each section of the works.

Productive Labour Cost Control

The analysis of labour costs must be in sufficient detail to enable effective control against predetermined standards, expressed either in minutes

COMBINED JOB AND GATE CARD

TRADE/RATE

No. .... CODE ....

NAME ....

DATE ....

JOB No.	TIME ON	TIME OFF	HOURS	AMOUNT
Unutilized Time				

GATE TIMES

ON	OFF	ON	OFF	TOTAL

BASIC HOURS ....

OVERTIME

..........at $1\frac{1}{4}$ ....

..........at $1\frac{1}{2}$ ....

..........at 2 ....

£

Fig. 2

or in money. The three main forms of such control are:

(*a*) a control of time taken, whether by the individual or group of men, against time planned for a particular job or operation;

(*b*) under mass production costing, comparison of actual units produced in a given time against the standard production for that time;

(*c*) the simple control by the foreman that, with a given labour force he has produced work at least equivalent in standard hours to the actual hours available.

It has been claimed that if each man achieves forty planned hours-worth of work in a forty-hour week, then individual job bookings are unnecessary; but unless the rate-fixer is very skilled and very sure of his time, this argument leaves a path wide open to inefficiency and loss.

A workshop I once saw was in fact losing money while paying its operatives bonuses on 'time saved'. The trouble was that the planned hours used in tendering were less than the hours eventually agreed for bonus payment by the rate-fixer on the shop floor.

Control of Production

The control of production is incidental to the control of labour and may take the form either of a calendar control, that is, the completion of certain operations by certain dates; or of a unit control, that is, the production of a series of given quantities within a given period.

Utilization of Labour

The above comments have been a preliminary to the illustration (Fig. 3) which is in fact a chart showing the utilization (and if desired, the efficiency) of a given labour force. This is a bar chart having two or three bars for each period of review.

The first column on the chart shows the normal hours of work to be expected from the labour force available in the period under review; that is to say, it is derived from the number of men available and from the normal length in hours of the basic working week, which may be recorded as 'normal capacity' of the labour force.

To this normal capacity is added the total overtime hours worked, and the figure of potential hours thus arrived at is reduced by lost time (due to sickness and other causes of absence) to give a net figure of hours spent in the factory.

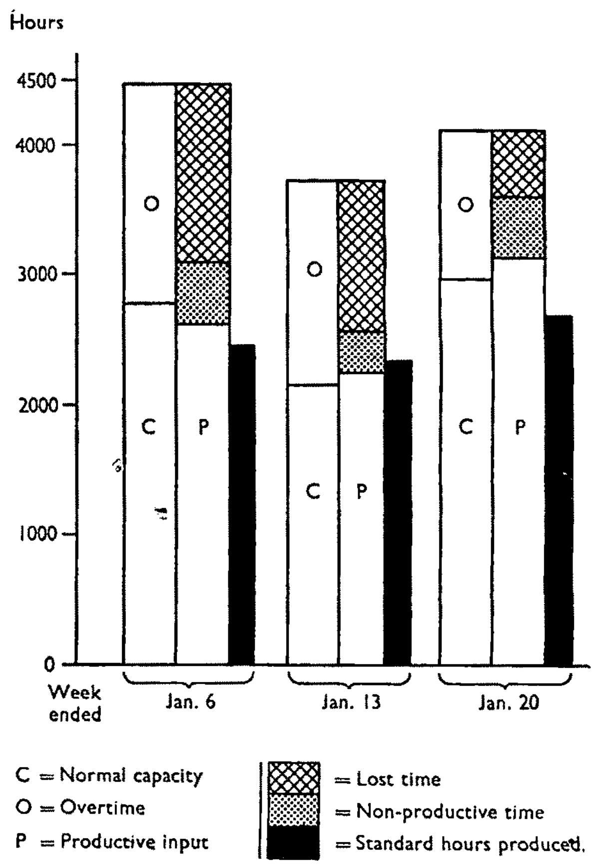
The second column shows how these available hours have been utilized as between hours spent on productive input, and other hours which may have been used on capital or maintenance work, or on such tasks as: instruction time on change of operations; fire drill or first-aid; cleaning work-places; unloading stores; collecting material from stores.

'Idle time' has not been included in the foregoing list since it is assumed that idle time will have been utilized in some way. It may be desirable, however, to indicate on the time records the extent to which non-productive work is in fact 'utilization of idle time', and the explanation of causes of idleness would then be required by works management or production control, although not necessarily shown up on the accounting records.

Foremen are often wary of revealing idle time, largely in fear of causing redundancy, and the best methods of ensuring full information are:

To plan sufficient work for everybody;

LABOUR PERFORMANCE CHART



NOTE. If standard hours are not available, the weekly average of budgeted productive labour might be indicated.

Fig. 3

To interest the foreman in the production efficiency of his men;
To control actual job hours against those planned; and
To give some incentive to productive efficiency.

All the information required for the first two columns of the chart can be derived very simply from either the payroll or from records or estimates of job times. It is most likely that the individual items of information will have been reported already up to works manager level and overtime working should have been authorized in advance at that level. So that the purpose of this particular presentation will be to bring together and to put into perspective the various factors affecting the utilization of the labour force, and also to provide a readily assimilable summary for the information of higher management.

Two questions arise naturally from a study of this chart, and they are the same questions as must be asked of any accounting presentation:

(*a*) Why are the figures what they are?
(*b*) How do they compare with what we expected them to be?

The questions are so closely related that it is impossible to answer the first without involving the second, and one benefit of the preparation of this particular chart is that it must lead to the establishment or review of some form of control estimate or budget. To indicate this, a third column has been added to the chart showing the standard hours applicable to the production achieved. Comparison of this with the 'productive input' section of the second column gives a graphic picture of the productive efficiency achieved.

The use of work standards as a basis for remuneration, under a piece-work or bonus system, will be examined in a later article.

The Accounting World

AUSTRALIA

Asian and Pacific Accounting Convention

ELEVEN countries, including Canada, New Zealand, India, Pakistan and the United States, have so far accepted invitations to attend the second Asian and Pacific Accounting Convention which is to be held in Australia next spring. The first conference took place in the Philippines in 1957.

The convention is being sponsored by the Institute of Chartered Accountants in Australia and the Australian Society of Accountants. It will be divided into two sections: the first section will be held in Canberra from March 31st to April 2nd, and the second in Melbourne from April 4th to April 7th. The Canberra section will be devoted to round-table discussions on matters affecting the profession – its organization, ethical standards and educational facilities, while the Melbourne section will deal with technical questions, such as accounting methods, financial planning and control, and accounting and auditing standards.

Australia has made a notable contribution to the profession of accountancy in south-east Asia. Until 1950, examinations conducted by Australian accountancy bodies were available only to residents in Australia. Australia's commitments under the Colombo Plan brought about a change in this policy. Officers of the Australian Society of Accountants have toured south-east Asia and have found a great interest in accountancy resulting from industrial expansion. About 1,850 students in the countries of south-east Asia are taking the examinations of the Society. They are made up of 745 in Malaya, 615 in Singapore and 320 in Hong Kong. The number of inquiries from students in Borneo, Indonesia and Thailand is increasing. Inside Australia, about 400 students from south-east Asian countries are preparing for examinations.

GERMANY

Companies to Show Movement of Fixed Assets

PARAGRAPH 131, Section 4 of the German *Aktiengesetz* (Companies Act) requires additions to, and withdrawals of, fixed assets to be shown separately in the balance sheet. This does not refer to writing up or down the values of fixed assets, but quantitative increases or decreases of the fixed assets belonging to the company. Nor does it refer to transfers of fixed assets from one category to another, as where fixed assets under construction are completed and transferred from a suspense account to the appropriate fixed asset account. These transfers must also be shown separately in the balance sheet, and not as 'additions' or 'withdrawals'. The object of this section is to ensure that the actual investment in fixed assets for the year is clearly visible from the balance sheet.

One complication which arises in practice, however, states a writer in *Die Wirtschaftsprüfung* (Stuttgart) for November 15th, is where a company revalues its fixed assets and writes up their values. The situation is not adequately covered by a note to the balance sheet, unless, perhaps, the note specifies the amounts

which have been added to the values of each fixed asset account separately.

Where the company keeps accounts for 'fixed assets under construction' and 'expenditure on new fixed assets' another complication arises. The amounts debited to these accounts may not be identical with the values at which they will later be included as additions to one or other of the fixed asset accounts. Further, the balance sheet fails to reveal which category of fixed assets is being increased by current expenditure on fixed assets not yet ready to be put into service. This procedure also has the effect of showing additions to fixed assets twice; once in the year of the expenditure, and once in the year when it is transferred to a particular fixed asset account. The point of these observations is revealed when the list of fixed asset headings specified by Section 1 of the same paragraph is examined, viz.: (1) Land and buildings: (*a*) commercial or residential buildings, (*b*) factory and other industrial buildings; (2) Land; (3) Machines and their installations; (4) Tools and other business equipment; (5) Concessions, patents, licences, trade-marks and similar rights; (6) Investments in other businesses, whether companies or not; (7) Other securities held as fixed assets.

The Principles of Good Accounting

'THE principles of good accounting' is a phrase which may often be used without the speaker having a clear concept of what these principles are. Professor Dr Johannes Fettel attempted to elucidate this problem in a recent issue of *Der Wirtschaftstreuhänder* (Stuttgart).

Continental legislation generally relates good accounting to the conduct of a correct business man, and the author tried to decide how such an individual is expected to behave. He must be assumed to be a moral individual and that he will therefore try to protect his partners and creditors against loss, in particular the latter. His books must therefore show separately his own capital and that of other persons, and his accounts will endeavour to reveal how successful he has been in his efforts to maintain them intact. In order to do this and to protect the interests of his creditors, his books must record all transactions without any omission and be free from entries recording fictitious operations. In short, his books must be complete and correct.

Further characteristics of the formal nature of 'good accounting' are that the entries are made promptly after the transactions are performed, and that proper supporting evidence is kept for each entry made.

In so far as valuation principles are concerned, the correct business man adheres to the rule of caution which requires him to omit all unrealized profits, no matter how probable they are, and to include all possible losses likely at the accounting date to occur later. His basis of valuation will be cost or lower market price, which means, cost when prices are stable or rising, market price when the market for his product or similar articles is falling. Although he can avail himself of the 'going concern' rule in valuing assets and liabilities, there are times when he is entitled to depart from it in the interests of his creditors.

It is necessary to define these 'principles of good accounting' with some accuracy, the writer concluded, because the tendency is for custom and convention to be formalized in statutory legislation. It is time for scientific methods of analysis and classification to be applied to the principles of good accounting.

FRANCE

Court Defines 'Allowable Expense'

THE French Counseil d'Etat (highest appeal court) recently enunciated an important principle in respect of the deduction of certain types of expense in arriving at taxable profit (*Arrêt*, dated June 19th, 1959, *Req. No. 40.282*).

The tax inspector sought to add back two items shown as expenses in the accounts of a company: (1) the cost of a second-hand replacement motor for a van; and (2) the standard exchange price of a new replacement motor for a lorry.

The Court laid down that non-allowable expenditure must

> 'introduce something new into the fixed assets, or be expenses which normally result in an increase in value of a fixed asset, and expenses which prolong the useful life of a fixed asset to a noticeable extent'.

All expenses are allowable which

> 'have no other effect than that they maintain an asset in such a condition that it can be utilized to the end of the period of useful life upon which depreciation calculations are based'.

As a consequence of this, and after ascertaining the facts of the case (van still being depreciated at the time; replacement of motor only permitted utilization to extend until the end of the useful life previously estimated; similar circumstances for lorry), the appellant was permitted to deduct both expenses from revenues in order to arrive at taxable profit.

It appears from the judgment that the fact that the business did not capitalize the replacements was one of the matters considered by the Court in arriving at its decision.

SWITZERLAND

I.F.A. 1960 Congress in Basle

THE next annual congress of the International Fiscal Association will be held in Basle in September 1960. The subjects for discussion are: 'Taxing capital profits' (Rapporteur, Dr R. Kellerhals, Berne); 'The construction of double taxation agreements – methods and procedures' (Rapporteur, Dr Raoul Lenz, Geneva); 'The treatment of loans and loan interest in international tax cases' (Rapporteur, Dr Walter Studer, Basle).

Weekly Notes

Outcasts of the Boom

THE spending boom is not quite so widely based as some might imagine, to judge from a second inquiry into capacity and output recently undertaken by the National Institute of Economic and Social Research, a preliminary report on which appeared at the end of last week. As before, the preliminary report concentrates on the metal-using industries – being on a larger scale this time in covering firms employing one-fifth of the labour force.

Output has risen fast in the motor-car and consumable durables sector, and capacity is already fully employed there. Outside this sector, however, the trend has been extremely patchy, for there have been both decreases and increases in output; but overall the net increase has been on a very small scale. As a result, many firms are still working well below capacity and do not expect output to rise much in the next six months. In addition, there are a number of industries in the group – such as aircraft and mining and marine engineering – whose output seems destined to fall sharply in 1960. Excess capacity is, therefore, mainly of a structural nature and no early upturn in general demand is calculated to bring it back into use in its existing form. Thus, the aircraft industry has been losing labour and releasing factories for alternative uses, wagon makers have been converting capacity, and sections of electrical engineering have been rationalized; processes that seem bound to continue.

On the whole the labour force appears to be better distributed than was the case at the time of the last inquiry in July 1958. Short-time working has now almost disappeared; but much less overtime is being worked than in the 1955 boom. Even so, about one-third of the firms questioned mentioned labour or steel shortages as possible factors limiting output, but it was only in isolated instances that production had actually been retarded so far for these reasons.

Between July 1958 and November 1959, the firms interviewed in the inquiry increased their output by nearly 10 per cent, with no significant rise in employment, but with some rise in working hours. Their capacity has also risen by about 5 per cent in the meantime.

As for future capital spending plans, apart from cars and durable consumer goods – where substantial expansion schemes are afoot – capital expenditure will mostly be confined to essential replacement and modernization rather than costly extensions. Taking all this into account, capital expenditure in 1960 by the metal-using group as a whole is likely to remain at much the same level as this year.

Capel House

THE gift of Capel House, Enfield, under a deed made in 1953 by Mr Sydney Arthur Medcalf on trust for use as an education centre for students and members of The Society of Incorporated Accountants was held by Mr Justice Vaisey, in the Chancery Division, on December 17th, to be a valid charitable gift.

Mr Medcalf, who has since died, also settled in his lifetime investments and cash for the education of students and members of the Society.

The judge said that, since the settlement was made, the Society had become integrated with the English, Scottish and Irish Institutes of Chartered Accountants, and was now in liquidation. The settlement trustees apprehended that the primary objects of the trust deed were now impracticable, in that there were now no persons who were students or members of the Society or any person authorized by the Society to receive income from the trusts. The question, therefore, arose whether the trusts were now valid charitable trusts or failed for uncertainty.

The promotion of efficiency in such a profession as accountancy seemed to be comparable to the foundation of scholarships or studentships at an Inn of Court or at the Royal College of Surgeons. If it were in the public interest that lawyers and surgeons should be instructed rather than ignorant, the same must surely be equally true of accountants.

His lordship declared the trusts valid charitable trusts, and referred the matter to chambers for a scheme to be settled for the administration of the trust property.

Hide & Co Investigation

THE report of Sir William Carrington, F.C.A., and Mr Norman J. Skelhorn, Q.C., who were appointed by the Board of Trade in April 1957, under Section 164 of the Companies Act, 1948, to investigate the affairs of Hide & Co Ltd, has now been published, together with an interim report made in August 1958. The final report extends to over fifty pages dealing with a number of complicated transactions.

The inspectors say that from the date of his appointment as chairman in June 1939, Mr L. P. Jackson was the dominant personality in Hide & Co Ltd. Whilst he was the main instrument in the growth of the company from small beginnings, in the majority of instances where a controlling interest in other companies was being acquired he set out to make an intermediate profit and in most of those cases he went to considerable pains in attempts to ensure that his co-directors and/or the auditors of Hide & Co Ltd either should not be aware of the fact that he was making a profit, or if such fact did come to their notice, they should not know the extent of such profit. The inspectors also say that the other members of the board did not appear to have exercised, or sought to exercise, any check on the activities of Mr L. P. Jackson in relation to the company; they were

content to accept his word without any inquiry even where the circumstances plainly called for such inquiry. However, the report largely excludes Mr M. M. Jackson (who joined the board on April 30th, 1953) from the above criticisms. Within the scope of his own work he did exercise independent judgment of thought and expression. The inspectors took the view that when Mr M. M. Jackson's views did not coincide with those of Mr L. P. Jackson, the board gave little if any weight to them.

The report pays tribute to the auditors of the company, Messrs Ogden, Hibberd, Bull & Langton, Chartered Accountants, – and in particular to Mr W. E. Ogden, M.C., F.C.A., of that firm – who carried out their duties in an exemplary manner.

Two More Early Works for the Institute Library

TWO interesting publications, both obtained from dealers in Amsterdam, have recently been added to the collection of early books in the library of The Institute of Chartered Accountants in England and Wales. The more important of these is *L'Art Solide de Livres de Comptes . . .* by Jan Coutereels, published in Middelburg, 1623. Books by this author are extremely rare and there are known to be three others on accounting which have yet to be found. The first edition, published in Dutch in 1603, was acquired for the Institute library with the Kheil collection in 1913. The French version of the same work now acquired is a very rare book.

Coutereels was born in Antwerp and moved to Middelburg about 1595, becoming a burgher there. In 1613 he became Latin schoolmaster at Arnemuiden and also an alderman. He returned to Middelburg in 1622 as French schoolmaster. He wrote a book on mathematics, published in 1631, which went through many editions in Dutch and French, and he was something of a poet; a number of his poems were published and several pages of verse follow the prefaces of his books.

The second publication is *Kort Begrijp van't Italiaens Boeckhouden*, by D. Kock, Middelburg, 1651. This is a broadsheet designed to hang on the wall of the counting-house. Little is known about Kock (sometimes spelt Cock) except that he was born at Enkhuizen and was a schoolmaster in Arnhem. He wrote a very successful book on arithmetic, which was reissued with revisions by others as late as 1799.

Information about Europe

BY a coincidence the first annual meeting of the association called 'Britain in Europe' was held shortly after the signing of the Stockholm convention on the European Free Trade Association. The organization exists to disseminate information and to stimulate research on all aspects of European economic integration. The chairman of the executive committee is Mr Lawrence Robson, F.C.A., F.C.W.A., and the members include Mr F. Charlton, F.C.A., chairman of Furness Withy & Co Ltd, and Mr W. E. Ogden, M.C., F.C.A., chairman of Delta Metal Co Ltd.

The organization sponsored the recent authoritative publication *Britain in Europe* which examined the likely repercussions of the Common Market in the United Kingdom industry and which sold 13,000 copies. A second major study called *The Commonwealth and Europe* is timed to be published in March.

The chairman of the organization, Lord Salter, said at the annual meeting that this country's approach to European questions has suffered through inadequate and out-dated knowledge of the economic bonds which link the Commonwealth, and through a failure to realize both the changing importance of Commonwealth preference as such and the growing interest of Commonwealth countries in Europe. He thought that the kind of work the organization was doing was becoming increasingly important to British industry in view of the changing problems posed by the establishment of the E.F.T.A. and the progress of the European Economic Community.

The Post-natal Problems of E.F.T.A.

BETWEEN the signing of the European Free Trade Association convention in Stockholm on November 20th, and the process of ratification by the individual seven members, there is bound to be a good deal of speculation of the dangers of 'infant mortality'. The Information Division of the Treasury has issued a special bulletin on the E.F.T.A. which is optimistic about prospects. The various tables in the bulletin containing information about E.F.T.A. trade within itself and the rest of the world give two impressions. The first of these, and this is the one which the Treasury bulletin is anxious to stress, is that the E.F.T.A. area is wealthy judged by the average income per head of its members. Its income per head is considerably higher than the corresponding figure for the European Economic Community.

The tables emphasize the significant amount of trade which has been developed already between members of the Association. The figures also show, however, what a strong temptation there may be for some members, notably Austria and Switzerland, to make their terms with the European Common Market. Another point which needs emphasis and which is not in the bulletin is that much depends on the angle from which one views future developments in assessing the relative wealth of the E.F.T.A. area and the Community. It is true that the E.F.T.A. countries are wealthier than the E.C.M. countries but the population of the latter is very much larger and in a period, like the present, of rapid economic growth the potential for expansion may be very much greater in the Community than in the Association.

The recent visit of Mr Dillon, the American Under-Secretary of State, to London showed

agreement between the United Kingdom and the United States to be much closer on overseas investment in under-developed countries than it was on the future of economic alignments in Western Europe. The United Kingdom has been left in no doubt that if the Americans must choose between the Community and the Association they will choose the Community. The aim of economic policy must, therefore, be to create circumstances in which the United States does not need to make a choice.

Friendly Societies Report

PART 2 of the the report of the Chief Registrar of Friendly Societies for the year 1958 published last week[1] deals with the work of his department under the Friendly Societies Acts and the operation of registered societies under those Acts in 1958.

During the year under review the membership of registered friendly societies without branches decreased by 37,000 to 4,702,000.

Notwithstanding this general fall in membership, the income of the centralized societies was £703,000 higher than the previous year and amounted to £23,577,000.

A section of the report deals with a case in which the accounts of a society were audited by unqualified auditors. Following delays in the society's annual return and payment of benefits the Registrar engaged a chartered accountant to carry out a full investigation and the secretary eventually admitted a misappropriation of funds. It was obvious, the Registrar states, that the society's auditors had not obtained satisfactory evidence of the existence of the assets shown in the annual return. Proper verification of societies' assets is, in the Registrar's experience, one of the important duties which auditors without professional qualifications often neglect.

[1] H.M.S.O. 3s net.

This is My Life . . .

by An Industrious Accountant

CHAPTER 4

MY predecessor dropped in this morning, ostensibly to wish me the compliments of the season, though more likely to see how the newcomer was shaping. Retired at 65 with sudden heart trouble, he's a perfect example of the past generation of secretary. Quiet and cultured, in the firm's service from junior office boy to accountant and secretary; no qualifications whatsoever and no pretence at specialized knowledge. He never sees the tax assessments ('leave that to the auditors, my boy'); thinks punched tape and electronics are unnecessary frills, and ruled his office staff like a petty despot. But his copperplate writing is unchanged after forty years; he has every important figure in the firm's books at his finger tips and every assorted secret locked equally securely in his memory.

He rent me in lordly fashion when I tried to tell him about accounting for management and budget forecasts. 'Did you study French in your school? Possibly you recall Molière's *bourgeois gentilhomme* who was so pleased to be told he was speaking prose all his life? I've been giving my directors all the advance information they ever needed – and indeed more than they could assimilate sometimes – for thirty years now, before ever that fancy jargon was invented.'

But we got on famously afterwards. We went through the past years' balance sheets, and he explained the trend of falling profits and the stories behind the figures. It's an old firm, with assets still at cost price less substantial depreciation, and the minute net value of premises and plant was startling, even to my newcomer's eye, in view of their extent and obvious efficiency. Insurance-conscious, I queried the fire-cover figure for replacement value, and sure enough he had an assessor's valuation certificate, with suitable appendices in detail, dated only last year. This valuation formed the basis for the fire and material loss cover which was clearly adequate.

This worry thus resolved, an examination of the capital structure as compared with the asset value made the possibility of a take-over bid almost automatic. My predecessor was shocked at the mere mention. To him it was only a newspaper word, like the 'Yellow Peril' of his youth, for a remote and little understood bogey-man. He was so disturbed that he promptly swung to the other extreme and commenced to list the shareholders in categories of hostile and friendly.

(There are some large holdings among the branches of the original founder families. I must study them when I know the directors better.)

* * * * *

Leaving with my predecessor later on, I was pleasantly conscious, despite my Cockney irreverence, of the touched hats among the staff. Old-world feudalism: 'Eh, thiccy be nobbut young maistir, summat?'

The situation changed abruptly when the chairman passed us with a gracious beam, and my predecessor swept off his own hat in return. Constitutionally allergic to uncovering to anything less than a bishop, I compromised clumsily on a sort of Gary Cooper salute. Felt like Bateman's old picture of the guardsman who dropped it.

The old advertising slogan said: To get ahead, get a hat. My maxim for aspiring secretaries: Leave it at home or you'll put your foot in it.

Reviews

Machine Accounting

Third edition by O. SUTTON, M.S.M.A., A.C.I.S. Re-written and enlarged by L. M. NATION-TELLERY. (Macdonald & Evans Ltd, London. 42*s* net.)

This is the third edition of a book originally published more than sixteen years ago, but it has been so thoroughly revised by Mr Nation-Tellery that it deserves reviewing as a new book. Its lineage is perhaps shown by the style in the opening chapters, which have not called for so much re-writing, where it appears to strive too consciously for effect through the use of italics and apostrophized clichés. But these quickly vanish as the new author gets settled in his subject, and he then writes clearly and effectively to produce a book which is attractive to handle and which also contains excellent illustrations of actual equipment. The result is a useful survey of machine accounting, from peg-board to electronic data-processing, for students and any accountants, office managers or other executives who have so far survived without coming into contact with modern accounting methods.

The layout of the book, as shown in the index, is logical: but there are points in the actual text where the subject changes in an unexpected, though interesting, manner – for instance, an interesting discussion of the use of sterling adding machines for the additions of quantities expressed in British weights comes unexpectedly in a chapter entitled 'Semi-mechanized accounting'. But, generally speaking, Mr Nation-Tellery is to be congratulated on his sensible approach to a number of problems which exercise businesses before, during and after the introduction of machine accounting: he encourages simplicity, remembers the needs of smaller businesses and emphasizes repeatedly the importance of having suitable ancillary equipment to support the basic accounting machines.

A very wide view is taken of machine accounting and no author could deal in one book with all aspects of it in detail. In most instances a nice balance is struck between generalizations and jargon, but there are times when the general reader, for whom the book is written, will find the treatment too condensed or too technical. There are discussions of special merit on the uses of needle-sorting apparatus and adding/listing machines which could well start smaller businesses on the road to mechanization. On the other hand the chapter on payroll seems still not to have recovered from the shock of the introduction of P.A.Y.E., while the slight treatment of ledgerless accounting may point to a fear of it. But these are minor criticisms of a book which fills a real need; it sets out the principles of machine accounting very clearly and succeeds completely, with the help of a few brief case studies at the end, in indicating how these principles can be put into practice in businesses of all sizes.

Accountants may reasonably resent some remarks made in the chapter on 'Accounting machines and the auditor' on the grounds that these, if ever justified, are certainly not warranted in 1959. But they may retaliate, if they wish, by pointing to three errors in the detailed illustrations on pages 70 and 71 which effectively mar its impact. With honours then even, this should be accepted as a valuable introduction to machine accounting.

Readings in the Economics of Taxation

by RICHARD A. MUSGRAVE and CARL S. SHOUP. (Published for the American Economic Association by George Allen & Unwin Ltd, London. 36*s* net.)

This is the eighth in a series of volumes prepared by the American Economic Association to make available to students and teachers important articles on specific economic topics which are otherwise scattered over a wide range of journals. This particular collection of thirty-two papers is rather narrow in coverage, being devoted entirely to theoretical aspects of taxation, including equity, welfare and partial equilibrium analysis. The choice is justified by the editors on the grounds that they will be of more lasting value to research workers and teachers; also, it would appear, because it will enable a further volume of readings on public finance to be published. The readers for whom this work is intended will find that it is fully up to the standard of the earlier collections of readings.

The Economics of Money

by A. C. L. DAY. Home University Library No. 242. (Oxford University Press, London. 7*s* 6*d* net.)

This addition to the Home University Library may be welcomed for several reasons. It fills a gap in the existing student literature, for while there are numerous texts on money, banking and the international monetary economics, there has been no simple introduction which brings them together in such a way that the first-year student can understand the interrelationship of these topics. Moreover, while many of the existing texts are somewhat dated, this new book is completely up to date and above all – as far as students are concerned – it is very cheap.

The author adopts the national income approach to show how the level of economic activity is determined by the level of aggregate expenditure, saving and investment. He then discusses the workings of the banking system to show how variations in interest rates and the volume of credit are effected and made effective. Finally, the relationship between the internal financial situation and the external value of the currency is explained.

The book is readable throughout and the exposition

is of a high order; it can be well recommended to the accountant who is interested in monetary policy.

The Trade Cycle

by R. C. O. MATTHEWS. (James Nisbet & Co Ltd and Cambridge University Press. 12*s* 6*d* net.)

This is the latest addition to the excellent series of texts, which began after the First World War, for students working for their first degree in economics. The intention was to provide the ordinary reader with some understanding of economic principles and the earlier volumes of this series, still in print, bear testimony to the success with which this objective was achieved. Later additions have been at a rather higher level and this is especially true of this study of the trade cycle. As it stands, it is admirable for third-year students and will doubtless be welcomed by them. The average reader does not need this formal treatment of economic fluctuations and while welcoming this excellent piece of work, in one reviewer's opinion at least it will prove rather indigestible for the uninitiated.

Statistics

by A. R. ILERSIC, M.SC.(ECON.), B.COM., F.I.S. *Twelfth edition, revised and enlarged.* (H.F.L. (Publishers) Ltd, London. 30*s* net.)

The first eleven editions of this book were issued under the title of *Statistics and their Application to Commerce*. The first nine appeared under the authorship of the late Mr A. Lester Boddington, with the ninth having chapters on 'Index numbers' written by Mr A. J. H. Morrell. But so completely have the contents been enlarged and transformed that the book is now virtually a new work and the range of readership for which it is written is a very much wider one. The commercial applications are still discussed but the more general sections occupy a much more significant proportion of the whole.

The treatment of the subject follows the usual lines: a study of the principles of the subject, leading to an exposition of their application in economic, social and business statistics. The study of the principles is both lucid and thorough, and the applications discussed are wide-ranging and practical, having regard to the knowledge of, and interest in, economics which the average student of statistics is likely to possess. More specifically the text is designed attending organized courses of lectures, or to those who wish to familiarize themselves with the general content of the subject, or to supplement their economic studies by reference to published statistics. The success which attended the earlier versions of this book well deserves to be repeated in the case of this new and enlarged edition.

British Industries and their Organization

Fourth edition by Professor G. C. ALLEN. (Longmans, Green & Co Ltd, London. 25*s* net.)

The first edition of this book appeared in 1933 and since that time, not least as a result of the substantial revisions that have been made in succeeding editions, it has held first place for successive classes of students working for their first degree in economics. The opening chapter discusses the evolution of the British industrial structure before 1914 and this is followed by a discussion of the main features of industrial change during the period 1918–58. The ten remaining chapters deal with individual industries, such as coal, iron and steel, engineering, motor vehicles, the textiles – old and new – and building. Within each of these descriptive chapters the treatment is historical, the impact of various events being traced out in a clear and interesting manner. The book is rounded off by a good bibliography classified by reference to the subject-matter of successive chapters. Newly-qualified members of the profession will find in this book much to inform them of the current state of industry upon whose prosperity all our fortunes depend.

Guides to Successful Accounting Practice

Edited by BERNARD B. ISAACSON, C.P.A. (American Institute of Certified Public Accountants, New York. $3.50.)

A selection of offerings from the feature entitled 'The Practitioners Forum' which appears in our American contemporary, *The Journal of Accountancy*, provides the material for this book. Although there are more than forty contributors, the editor has welded the individual fragments into a solid and satisfying mosaic.

Two main themes are apparent throughout – how to improve one's own practice and how to provide the best possible services for one's clients. Elaborating the first of these are sections on the recording and budgeting of time, billing practice, the recruitment of

Essays in World Economics

by J. R. HICKS. (Oxford University Press, London. 21s net.)

This volume, by one of the country's leading economists, consists of a collection of eleven essays which appeared in various journals before the Second World War. The collection is divided into two parts, the first and larger of which is concerned with Britain and its place in the world economy. The subject-matter ranges from a discussion of post-war world economic recovery written in 1947 to the problem of wage bargaining in 1955 and 1956. The second part of the book contains three papers on particular problems of under-developed territories: population pressure in Ceylon, federal finance in Nigeria and a land tax in East Africa, together with an introductory essay on the economic problems of under-development. These essays, together with the preface, provide an interesting example of the application of theoretical economics to some basic problems in the world economy.

Economics for Our Times

Third Edition by AUGUSTUS H. SMITH. (McGraw-Hill Publishing Company Ltd, London. 43s net).

This is a glossy, extensively illustrated, text of nearly 600 pages designed to teach American high school students the principles and problems of economics. Each point in the argument is headed in bold type, and there is a summary of the main ideas at the end of each chapter together with questions to test 'your economic reasoning'. It is, in short, the type of book which the academically inclined student in this country would scorn, often with the full support of his teacher. On closer examination, however, one begins to appreciate the merits of this book and not least the amount of work that has been put into it by the author and his three collaborators. The style is readable and the illustrative material relevant to our day and age. In short, students will feel that they are reading about the world in which they live, rather than some hypothetical theory which the average textbook often contains in its earlier chapters. In this respect the older student coming late in life to a study of economics would find this book interesting, although it leans heavily on American illustrative material.

SHORTER NOTICES

AMERICAN AID TO GREECE: A report on the first ten years by C. A. Munkman, A.C.A. (Methuen & Co, Ltd, London. 30s net.) Written by a chartered accountant who has been actively associated with such schemes since the end of the Second World War, this account does much to enlighten the ordinary ratepayer as to what happens to the millions of pounds and dollars made available for foreign aid programmes. Despite local follies and failures, globally organized aid to backward or stricken countries is, the author is convinced, 'essential to the lubrication of our economic system' and moneys so expended should not be regarded as charity but as an investment which, in time, will give ample return not only in material reckoning but also in human goodwill.

INTERBANK DEPOSITS, by Katherine Finney. (Columbia University Press. New York; Oxford University Press, London. 32s net.) This is a rather specialized study of an aspect of the American banking system which has no counterpart in this country. American banking has not become so integrated as ours; there is no corresponding entity such as the 'Big Five', or a national clearing house. Rather the U.S. system is based on independent units with a geographical centre, and banks throughout the States have depended upon major city banks to act as correspondents for collecting cash and clearing cheques, as well as functioning as 'central bankers' for investment and cash purposes. This monograph based on the author's field work and research discusses the basis and effectiveness of this system, in particular its responsiveness to monetary policy as directed by the Federal Reserve authorities in the light of experience over the past twenty years.

RECENT PUBLICATIONS

MATHEMATICAL IDEAS, THEIR NATURE AND USE, by Jagjit Singh, M.A., F.S.S., M.I.M.S. x+312 pp. 9½×6. 35s net. Hutchinson & Co (Publishers) Ltd, London.

A SIMPLE GUIDE TO SHAREHOLDING AND COMPANY ACCOUNTS, second revised edition, by John Wood. 131 pp. 8×5½. 10s 6d net. Putnam & Co Ltd, London.

SCIENCE IN INDUSTRY, by C. F. Carter and B. R. Williams, on behalf of the Science and Industry Committee. ix+186 pp. 9×6. 21s net. (United Kingdom only). Oxford University Press, London.

OXFORD ECONOMIC ATLAS OF THE WORLD, second edition, prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press. viii+152 pp. 10½×8. 42s net. (United Kingdom only). Oxford University Press, London.

DIFFERENTIAL COSTS AND MANAGEMENT DECISIONS, by D. R. C. Halford, O.B.E. ix+115 pp. 9×6. 15s net. Sir Isaac Pitman & Sons Ltd, London.

HERBERT HOOVER AND THE GREAT DEPRESSION, by H. G. Warren. x+372 pp. 9×6. 50s net. (United Kingdom only.) Oxford University Press, London.

STUDIES IN COMPANY FINANCE, National Institute of Economic and Social Research, a symposium on the economic analysis and interpretation of British company accounts, edited by Brian Tew and R. F. Henderson. xix+305 pp. 9½×6½. 35s net. Cambridge University Press, London.

GREEN'S DEATH DUTIES, Second (Cumulative) Supplement to fourth edition, by D. J. Lawday, LL.B.(LOND.), and E. J. Mann, LL.B.(LOND.). xii+64 pp. 9½×6. Supplement 8s 6d net. Combined price £4 17s 6d net. Butterworth & Co (Publishers) Ltd, London.

CANADA IN THE WORLD ECONOMY, Harvard Economic Studies. Vol. CVIII, by John A. Stovel. xiii+364 pp. 8½×6. 60s net. Harvard University Press; Oxford University Press, London.

AIRTIME. New European quick reference air time-table alphabetically indexed throughout with introductory information given in five languages – English, French, German, Italian and Spanish. Editor J. Muirhead Johnston, B.A. 111 pp. 11×8½. Card covers 4s (4s 6d postage paid). Annual subscription £2 14s. Thomas Skinner & Co (Publishers) Ltd, Gresham House, Old Broad Street, London, EC2.

Reports of Public Companies

THE ACCOUNTANT ANNUAL AWARDS, 1960

CLOSING DATE FOR ENTRIES

The Accountant Annual Awards for 1960 will be made in respect of reports and accounts laid before companies in general meeting within the year ending December 31st, 1959. One of the Awards will be for the report and accounts of a large company; the other will be made to a 'smaller' company requiring less complex accounts than those of a large group.

Companies are invited to send copies of their reports and accounts (with any chairman's statement circulated to shareholders), for consideration by the Panel of Judges, to: The Secretary, *The Accountant* Annual Awards, 4 Drapers' Gardens, London, EC2.

The closing date for the receipt of entries for the 1960 Awards is February 1st, 1960.

The Awards are made to companies whose shares are quoted on a recognized stock exchange in the United Kingdom, in relation to the form and contents of their reports and accounts – particular importance being attached to the adequacy of the information given and its presentation.

Winning Companies in Previous Years

The 1959 Awards were presented by Sir Harold Gillett, Bt., M.C., F.C.A., Lord Mayor of London, 1958–59, to The British Oxygen Co Ltd and to General Refractories Ltd.

Previous winning companies were: 1954 – Thos. W. Ward Ltd. 1955 – Ford Motor Co Ltd; Unilever Ltd. 1956 – Associated Electrical Industries Ltd; Folland Aircraft Ltd. 1957 – The United Steel Companies Ltd; Trawlers Grimsby Ltd. 1958 – Peninsular & Oriental Steam Navigation Co; John Dale Ltd.

Finance and Commerce

E.M.I.

THIS week's reprint is of the accounts to June 30th, 1959, of Electric & Musical Industries Ltd, which was formed in 1931 to unite the then two giants of the gramophone industry, the Gramophone Co (His Master's Voice) and the Columbia Gramophone Co, and is now one of the leaders in the science of electronics.

In electronic computers the company's activities have developed rapidly in the last year. The period from May to September was particularly noteworthy, says Mr J. F. Lockwood, the chairman. H.M. Government placed four large contracts for EMIDEC computers, and orders also came in from Barclays Bank, British European Airways, Kodak and Sainsbury. The total value was over £2 million.

A new E.M.I. development in computer input ... is a figure-reading device known as 'Fred' ...ading Electronic Device) which can dis- ...tween the arabic numerals and also a ...mbols. To simplify the system, the ...to be of a controlled pattern but ... selected with reasonably small ...istically acceptable and established ...tem can be used either with ...dinary ink or with magnetic reading of special ink, which is the surest way of reading through unwanted obliterations. The company has recently done a series of trials to ensure that the products of several cheque printers together with its reading system are acceptable to banks in the United Kingdom.

Easy Reading

The reproduced accounts follow the original as nearly as possible but the service has its limitations. It is not, for instance, practicable to show the very useful feint ruling, which appears in the original, that keeps the eye on the right course from narrative to figure. This is the only company – as far as can be recalled – that uses this aid to easy reading and it is a great advantage. The group headings 'Share capital', 'Fixed assets', etc., shown in bold type in the reprint, are red in the original, with the comparative figures in faint blue.

With Board of Trade permission, the consolidation includes Les Industries Musicales et Electriques Pathé Marconi, France, on the basis of its accounts for eighteen months to June 30th, 1959. The result so included for the additional six months, after tax, is a profit of £4,000. E.M.I.-Cossor Electronics Ltd, a newly-acquired subsidiary, has been consolidated

ELECTRIC & MUSICAL INDUSTRIES LIMITED

Consolidated Profit & Loss Account YEAR ENDED 30th JUNE 1959

	1959		1958	
	£	£	£	£
Consolidated Trading Profit		5,074,000		*5,322,000*
after charging the following items				
Depreciation	1,360,000		*1,127,000*	
Directors' emoluments *Note 6*	149,000		*142,000*	
Interest on fixed loans	217,000		*201,000*	
	1,726,000		*1,470,000*	
Less:				
Exceptional and non-recurring items		165,000		*421,000*
		4,909,000		*4,901,000*
Taxation *(on current profits)*				
Income Tax £985,000, Profits Tax £308,000	1,293,000		*841,000*	
Overseas taxation, less double taxation relief	1,241,000		*1,732,000*	
		2,534,000		*2,573,000*
Profit after Taxation		2,375,000		*2,328,000*
Profit attributable to minority shareholders of subsidiary companies		143,000		*172,000*
Profit available for appropriation		**£2,232,000**		***£2,156,000***
Appropriation of Profits				
Parent Company				
4½ per cent preference dividend *net*	12,000		*12,000*	
5½ per cent preference dividend *net*	98,000		*95,000*	
Interim ordinary dividend *net*	145,000		—	
Proposed final ordinary dividend *net*	462,000		*325,000*	
	717,000		*432,000*	
Undistributed profits	83,000		*262,000*	
		800,000		*694,000*
		1,432,000		*1,462,000*
		£2,232,000		***£2,156,000***

ELECTRIC & MUSICAL INDUSTRIES LIMITED Notes on the Accounts

The accounts now presented should be read in conjunction with the following notes:

1 Accounting Periods – Subsidiary Companies

With the permission of the Board of Trade, Les Industries Musicales et Electriques Pathé Marconi, France has been consolidated on the basis of its audited accounts for the eighteen months to the 30th June 1959. The result so included for the additional period of six months, after providing for taxation, is a profit of £4,000.

E.M.I.-Cossor Electronics Limited, a newly acquired subsidiary, has been consolidated on the basis of its audited accounts as at the 31st March 1959, with such adjustments necessary to reflect the changes up to the 6th June, the date of acquisition.

2 Rates of Exchange

Foreign currency trading results, current assets and liabilities, and additions to fixed assets during the year have been converted into sterling at current rates of exchange. The balance of fixed assets at 30th June 1948 has been retained at the sterling value applied at that date and subsequent additions have been maintained at the sterling value applied in the years of acquisition. Depreciation has been written off the sterling balances.

	Capital	*Capital Reserves*	*Revenue Reserves*	*Profit and Loss Accounts*	*Total*
3 Capital and Reserves	£	£	£	£	£
Balances at 30th June 1958	7,234,000	2,646,000	3,174,000	2,870,000	15,924,000
Revaluation in sterling of balances at 30th June 1958, arising on consolidation		−165,000	−13,000	−92,000	−270,000
Undistributed Profit of the year:					
Parent Company				83,000	83,000
Subsidiaries				1,432,000	1,432,000
Transfer to Ordinary Share Capital Account:					
Parent Company	1,258,000	−102,000	−1,150,000	−6,000	
Transfers:					
Parent Company			500,000		
Subsidiaries		−241,000	122,000	−381,000	
Balances at 30th June 1959	8,492,000	2,138,000	2,633,000	3,906,000	17,169,000

4 Contingent Liabilities

Contingent liabilities exist in respect of guarantees and bills discounted, but no loss is expected to materialise.

5 Capital Commitments

The estimated amount of contracts for capital expenditure not provided for in the accounts is £950,000 (previous year £572,000).

6 Directors' Emoluments

Directors' emoluments include £132,000 for the salaries and pensions contributions of executive directors in this country and in the U.S.A, fees £12,000, and the pension of a former managing director £5,000.

7 Taxation

Undistributed profits of certain of the overseas subsidiary companies are liable to overseas and/or United Kingdom taxation if distributed as dividends.

TRIES LIMITED
30TH JUNE 1959

	£	1959 £	£	1958 £
t Company	3,460,000		3,460,000	
	5,032,000	8,492,000	3,774,000	7,234,000
Reserves				
remiums	—		102,000	
eneral	2,138,000	2,138,000	2,544,000	2,646,000
Revenue Reserves				
General	2,633,000		3,174,000	
Profit and Loss Accounts *Note 3*	3,906,000	6,539,000	2,870,000	6,044,000
Total Capital and Reserves		**17,169,000**		**15,924,000**
Minority Shareholders' Interest		899,000		775,000
Fixed Loans				
4½% Unsecured Loan Stock 1970/75	[illegible]		[illegible]	
Other (£615,000 Secured)	1,652,000	3,652,000	1,640,000	3,640,000
Current Liabilities and Taxation				
Creditors	12,634,000		12,739,000	
Provisions	401,000		416,000	
Bank Loans and Overdrafts (£68,000 Secured)	4,735,000		2,375,000	
Taxation	2,069,000		2,494,000	
Income Tax 1960/61	452,000		102,000	
Proposed Final Ordinary Dividend	462,000	20,753,000	325,000	18,451,000
		£42,473,000		**£38,790,000**

	Net amount at 30th June 1948 plus net additions £	Depreciation since 30th June 1948 £	1959 £	£	1958 £
Intangible Assets					
Premium on Shares acquired in Subsidiaries			1,102,000		1,104,000
Fixed Assets					
Land and Buildings	4,527,000	1,242,000	3,285,000	3,116,000	
Machinery and Plant	9,830,000	4,889,000	4,941,000	4,147,000	
Furniture and Fittings	1,528,000	812,000	716,000	634,000	
	15,885,000	6,943,000	8,942,000		7,897,000
Previous year	14,104,000	6,207,000			
Trade Investments			557,000		—
Current Assets					
Stock and Work in Progress		14,059,000		11,943,000	
Debtors		13,439,000		13,855,000	
U.S. Government Securities		1,616,000		982,000	
Bank and Cash Balances		2,758,000	31,872,000	3,009,000	29,789,000
			£42,473,000		**£38,790,000**

ELECTRIC & MUSICAL INDUSTRIES LIMITED
Balance Sheet 30TH JUNE 1959

	£ Authorised	1959 £ Issued	£	1958 £
Share Capital				
4½% Cumulative Redeemable First Preference Stock in units of £1 (Redeemable at the Company's option on or after 30th June 1959 at 22s 6d each)	460,000	460,000		460,000
4½% Cumulative Redeemable First Preference Shares of £1 each	40,000			
5½% Cumulative Second Preference Stock in units of £1	3,000,000	3,000,000		3,000,000
Ordinary Stock in units of 10s	5,032,000	5,032,000		3,774,000
Ordinary Shares of 10s each	234,000			
Unclassified Shares of £1 each	3,234,000			
	12,000,000	8,492,000		7,234,000
Capital Reserve				
Share Premiums		—		102,000
Revenue Reserves				
General	1,600,000		2,250,000	
Profit and Loss Account	778,000	2,378,000	701,000	2,951,000
Total Capital and Reserves		**10,870,000**		**10,287,000**
Fixed Loan				
4½% Unsecured Loan Stock 1970/75		2,000,000		2,000,000
Advances from Subsidiaries		1,258,000		1,888,000
Current Liabilities and Taxation				
Creditors	2,450,000		481,000	
Provisions	301,000		306,000	
Bank Loans and Overdraft	4,076,000		2,041,000	
Taxation	99,000			
Income Tax 1960/61	238,000		48,000	
Proposed Final Ordinary Dividend	462,000	7,626,000	325,000	3,201,000
		£21,754,000		**£17,376,000**

	£ At Cost	£ Depreciation	1959 £	£	1958 £
Fixed Assets					
Land and Buildings	1,088,000	406,000	682,000	—	
Machinery and Plant	27,000	10,000	17,000	18,000	
Furniture and Fittings	2,000	1,000	1,000	1,000	
	1,117,000	417,000	700,000		19,000
Previous year	28,000	9,000			
Investments in and Advances to Subsidiaries					
Shares at cost less amounts written off		7,610,000		7,413,000	
Current Accounts		11,864,000	19,474,000	9,331,000	16,744,000
Current Assets					
Stock and Work in Progress		275,000		52,000	
Debtors		1,139,000		490,000	
Bank and Cash Balances		166,000	1,580,000	71,000	613,000
			£21,754,000		**£17,376,000**

J. F. LOCKWOOD }
J. E. WALL } Directors

on the basis of its accounts as at March 31st, 1959, with such adjustments necessary to reflect the changes up to June 6th, the date of acquisition.

The series of accounts includes a six-year summary of group sales, profits and assets. And there is an interesting inclusion of loan stock conditions required by the conditions attaching to the 4½ per cent loan stock but not, it is pointed out, forming part of the accounts laid before the company in general meeting.

New Developments

Much of Mr Lockwood's review deals with the wonders of modern science. A comparatively new feature is the Robotug, a trolley which will selectively follow one of several buried wires carrying weak electric signals. A trial installation has been operating at the British Railways depot at Newton Abbot. In hand also is a major industrial installation for carrying goods from stores to dispatching bays with several hundred calling points. Each trolley is programmed in advance to make the required stop and take the shortest route to its next point of call. Automatic signalling and response to block occupation guarantee freedom from collisions.

Gramophone records, however, are still substantially in evidence although demand is weakening and, says Mr Lockwood, 'it may well be that record sales have reached the end of their period of rapid expansion and that from now onwards sales will move more in step with the increase in personal incomes and the standard of living'.

Mr Lockwood urges a reduction in the 50 per cent purchase tax on records which, he says, yields £6 million a year. He likens records to books, magazines and reproductions of works of art which bear no tax. It is interesting to note, as an example of the wide spread of the business, that United Kingdom sales of records are less than one-tenth of the company's world sales. Moreover even in the United Kingdom record sales provide only a small proportion of total turnover.

CITY NOTES

CHRISTMAS week has seen little let-up in the volume of stock-market business. Turnover remained heavy and share prices rose to new peaks. A record market year concludes on a note of optimism.

Optimism, however, must be restrained to the extent that 1960 cannot possibly be expected to show the same extensive industrial and economic advance as 1959. For one thing the time is approaching – and has already been reached in some industries – where twelve months' comparison must be made with buoyant trade conditions twelve months previously. Figures in 1959 have been compared with those resulting from artificially restricted 1958 trading.

At the heavy end of industry, however, as well as in the textile trades, comparison is still made on a favourable basis. These sections of industry are only now showing a return to something approaching capacity production.

The 1960 outlook for the stock-markets remains encouraging despite the very pronounced rise that has already taken place. The advance has not been based on speculation to any material extent. Industrial and economic recovery, industrial profits and dividends have provided a firm basis for the advance and results now coming to hand from a wide variety of companies show that equity prices are not unduly high.

Much must naturally depend on the extent to which British industry can maintain and expand its export markets, keep its prices competitive, and its production rising in line with inevitably higher wage costs, but there do not appear to be any insuperable barriers in the way of further progress.

While the equity outlook remains promising, the prospect for the gilt-edged market remains bleak. There is little prospect of a lower Bank rate and probability of a higher rate. The Treasury Bill Rate is now at its highest since 1958.

RATES AND PRICES

Closing prices, Monday, December 21st, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2¼%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Oct. 16	£3 8*s* 4·91*d*%	Nov. 20	£3 7*s* 11·96*d*%
Oct. 23	£3 8*s* 6·74*d*%	Nov. 27	£3 7*s* 11·95*d*%
Oct. 30	£3 7*s* 8·53*d*%	Dec. 4	£3 10*s* 7·23*d*%
Nov. 6	£3 7*s* 4·62*d*%	Dec. 11	£3 11*s* 6·91*d*%
Nov. 13	£3 7*s* 9·55*d*%	Dec. 18	£3 12*s* 10·50*d*%

Money Rates

Day to day	2⅜–3⅛%	*Bank Bills*	
7 days	3–3⅛%	2 months	3¾–3 13/16%
Fine Trade Bills		3 months	3¾–3 13/16%
3 months	4¼–5%	4 months	3¾–3 13/16%
4 months	4¼–5%	6 months	3¾–3⅞%
6 months	4½–5%		

Foreign Exchanges

New York	2·79 13/16–⅞	Frankfurt	11·66¾–·67
Montreal	2·65⅞–·66	Milan	1736½–¾
Amsterdam	10·55–¼	Oslo	19·99⅝–⅞
Brussels	139·97¾–·98¼	Paris	13·73¼–½
Copenhagen	19·31½–¾	Zürich	12·07½–¾

Gilt-edged

Consols 2½%	49⅞xd	Funding 4% 60–90	93[illegible]
Consols 4%	74⅞	Savings 2½% 64–67	8[illegible]
War Loan 3½%	65 1/16	Savings 3% 55–65	
Conversion 3½%	65⅝	Savings 3% 60–70	
Conversion 3½% 1969	89½	Savings 3% 65–75	
Exchequer 5½% 1966	104⅛	Treasury 2½%	
Funding 3% 66–68	86⅛	Treasury 3½% 77–[illegible]	
Funding 3% 59–69	85	Treasury 3½% 79[illegible]	
Funding 3½% 99–04	71¾xd	Victory 4%	

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Simplifying Dividend Payments

SIR, – The reform of procedure for buying and selling shares is much discussed at present. There is one slight improvement that could be introduced without waiting for legislation.

It is to everyone's advantage for dividends to be paid direct to the shareholder's bank, but any shareholder who wishes to do this at present must obtain a separate form and complete it. There is ample room for a dividend request to be printed on the back of the transfer form without interfering with the certificate for use when *ad valorem* duty is not payable, which is often found there.

Yours faithfully,

ROBERT F. J. DERBY, A.C.A.

London, EC2.

Capital and Revenue Expenditure

SIR, – In his article on 'Capital and revenue expenditure' (December 12th issue) your contributor Mr John W. Matthews, B.SC.(ECON.), A.C.A., attempts to distinguish between them without introducing the concept of time. Accounting proceeds on the assumption that the distinction between capital and revenue is purely one of time; the unconsumed income (excess of revenues over expenditures) of one period becomes the capital of the next, and it is just as simple as that. This accords with the economist's idea of capital as a stock of goods (J. R. Hicks) – or how on earth did the goods get there? Incidentally, would Mr Matthews regard the purchase of goods for resale as capital expenditure, I wonder?

Of course, capital expenditure does not imply increase of earning capacity. If textbook writers say that it does, so much the worse for them (they have other faults, besides this one). But neither does capital expenditure denote increase in asset values, as your contributor seems to suggest. It may denote increase in scale – but with or without a corresponding augmentation of earning capacity or asset values.

In fact, as I have pointed out before, 'capital expenditure' is a misnomer, and can only mean one thing to an accountant: expenditure which is applicable to more than one accounting period, where the life of an economic entity is split up for convenience of measurement into comparable sections. The source of such expenditure is in this respect irrelevant – original contributed capital, subsequent contributed capital, undistributed income capital, loan capital or creditor capital. What is more important, these various types of capital can be used for purely revenue expenditure – or can't they?

The confusion of thought which results from failure to make this primary observation vitiates the remaining argument in the article, in particular, the conclusion and the re-classification of assets and liabilities on page 556. To calculate the real or replacement value of a business we must proceed from quite different figures than those which are used for the annual accounts of businesses, and utilize different forms from the balance sheet and profit and loss account. Different accounts for different purposes – I have said this before, too.

Yours faithfully,

London, SW10. KENNETH S. MOST.

Avant-Garde

SIR, –

It puzzles me so much –
It always has me guessing,
How managers and such
Appeared to be progressing,
And making profits too,
And gaily dividending,
With bonuses for you
And me – and much more pending.

You don't need me to tell
That management could contrive
To do its job right well,
Keeping its end up and thrive.
In those days before he . . .
(We know nothing of his name)
Whose bonnet had the bee,
That secured for him the fame
Of inventing for us,
(With temperature mounting
And getting such a chorus),
This management accounting.

I always thought (if you want my view)
That all accounting is really true
Management accounting, didn't you?

Yours faithfully,

A. P.

'Do-it-yourself' Suppliers: Gross Profit

SIR, – I should be very grateful if any of your readers could please give me some guidance as to what the usual gross profit percentage is in the comparatively new trade of 'do-it-yourself'.

Yours faithfully,

BUYANTRY.

UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

Annual Conference in London

The annual conference of the Union of Chartered Accountant Students' Societies was held on Friday, December 11th, in the Council Chamber of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, under the chairmanship of Mr G. B. C. Hughes, B.A., A.C.A., of London. Fifty-one delegates were present from twenty-five students' societies, representing over 13,000 articled clerks throughout the country.

The conference opened with prayers and a welcome from the President of the Institute, Mr C. U. Peat, M.C., M.A., F.C.A., and from Mr W. E. Parker, C.B.E., F.C.A., the President of the London Students' Society.

Liaison Committee's Work

The chairman summarized the work of the Liaison Committee appointed by the 1958 conference to meet members of the Council of the Institute. Amongst the subjects discussed at the meeting were: an interval between the dates of the Intermediate and Final examinations, the three months' rule for the Final examination, the report on the meeting, grants from local education authorities, the questionnaire on the back of examination entry forms, courses at local technical colleges, information available prior to articles, support for students' societies' broader educational activities and the difficulties of overseas students. The chairman presented the statement issued by the Council after these matters had been discussed by the appropriate committees.

Eight representatives were elected, with the chairman and secretary, to take part in the annual meeting in 1960 with members of the Council.

The conference showed strong appreciation of the importance of providing increased opportunity for overseas students to gain the benefit of training in the profession. They appreciated the special interest shown by the Council in this problem and the steps taken to try to increase the number of firms who would take overseas students as articled clerks.

The lack of support by students for the activities arranged by students' societies was discussed. The problem was as old as students' societies themselves, but it had been intensified by modern conditions, especially the increased reliance upon articled clerks for the work formerly done by unqualified clerks in practising offices. A number of measures were suggested and it was agreed that the nature of the problem and its remedies were different in small and in large societies. The one common factor about which students' societies could do little was the obstruction or direct opposition of principals. Support of students' societies in all areas was confined to a few firms. It was impossible to compel principals to be co-operative, but the continued and active support of the Council of the Institute could do much to strengthen the hands of the students' society committees in their fight for attendance.

The existing residential courses provided by students' societies were reviewed. The country seemed to be pretty well covered by courses now running, but they fell into two distinct classes, tuition and education. It was agreed that residential courses were most beneficial and that both kinds led to better professional understanding and responsibility, though this benefit was not so great in the tuition courses because they tended to become mere cramming sessions.

It was reported that encouraging results had followed the establishment of a joint standing committee of the students' societies in Cumberland, Northumberland, Durham and north Yorkshire. Not only had there been improved arrangements for visiting lecturers, but a second residential course had been started and there had also been benefits through the contacts of the senior societies.

Information was exchanged on grants to articled clerks by local education authorities. It seemed that the conditions varied widely in different districts, but the prospect for the future was rather more satisfactory.

The conference discussed the absence in many offices of any sense of personal relationship between principal and articled clerk. This was a vital matter (the code of behaviour was clearly laid down in the contract of articles) and, though really bad cases were relatively few, many principals treated their training obligations very lightly. There were obligations in both directions, but deterioration on one side led to lack of loyalty on the other. Again compulsion was impracticable, but a public stand by the Council of the Institute and freer access to information on actual conditions would do much to relieve the present unsatisfactory and deteriorating position.

The report of the committee on education and training appointed by the last conference was received and the members were thanked for their strenuous work and complimented on the excellence of the submissions made to the Parker Committee.

The report of the secretary of the lecturers' panel was received and the thanks of the conference were offered to Mr D. C. Farthing for his most helpful work in maintaining the panel.

Other subjects discussed were grants in aid for smaller societies, sporting activities, spreading the knowledge of the work of the Union conference amongst articled clerks, deferment of National Service, salaries of articled clerks and of newly-qualified accountants, technical colleges, income tax reliefs.

Conference Dinner

The conference was followed by dinner at the Hall of the Tallow Chandlers' Company with Mr W. E. Parker, C.B.E., F.C.A., President of the London Students' Society, in the chair. After the dinner an engraved silver cigarette box was presented to Mr F. J. B. Gardner, M.C., F.C.A., on his retirement as honorary treasurer to mark the grateful thanks of the Union for his work for students during forty-eight years as delegate and officer.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(7 & 8 Eliz. 2)

Chapter 69: Wages Councils Act, 1959

An Act to consolidate the enactments relating to Wages Councils.
Price 1s 6d net. *July 29th, 1959.*

Chapter 70: Town and Country Planning (Scotland) Act, 1959

An Act to re-enact in the form in which they apply to Scotland the provisions of the Town and Country Planning Act, 1959.
Price 5s net. *July 29th, 1959.*

Chapter 71: Colonial Development and Welfare Act, 1959

An Act to consolidate the Colonial Development and Welfare Acts, 1940 to 1959.
Price 9d net. *July 29th, 1959.*

Chapter 72: Mental Health Act, 1959

An Act to repeal the Lunacy and Mental Treatment Acts, 1890 to 1930, and the Mental Deficiency Acts, 1913 to 1938, and to make fresh provision with respect to the treatment and care of mentally disordered persons and with respect to their property and affairs; and for purposes connected with the matters aforesaid.
Price 8s net. *July 29th, 1959.*

Chapter 73: Legitimacy Act, 1959

An Act to amend the Legitimacy Act, 1926, to legitimate the children of certain void marriages, and otherwise to amend the law relating to children born out of wedlock.
Price 4d net. *July 29th, 1959.*

STATUTORY INSTRUMENTS

The Exchange Control (Import and Export) (Amendment) (No. 2) Order, 1959

(S.I. 1959 No. 1837)

This Order amends the Exchange Control (Import and Export) Order, 1958, by permitting travellers to take out of the United Kingdom and the Channel Islands £50 instead of £20 in sterling notes and the equivalent of £250 instead of £100 in foreign currency notes.
Price 2d net. *November 5th, 1959.*

The Census of Production (1960) (Returns and Exempted Persons) Order, 1959

(S.I. 1959 No. 1858)

This Order prescribes the matters about which a person carrying on an undertaking may be required to furnish returns for the purposes of the Census of Production to be taken in 1960.

It also exempts from the obligation to furnish such returns any person carrying on an undertaking in the field of production of coal, gas, electricity, oil-shale, crude or refined petroleum or shale oil products.
Price 3d net. *December 31st, 1959.*

The National Insurance (Non-participation–Certificates) Regulations, 1959

(S.I. 1959 No. 1860)

The National Insurance (Non-participation–Benefits and Schemes) Regulations, 1959

(S.I. 1959 No. 1861)

These regulations deal with the procedure for contracting out of the new graduated retirement pension scheme and the conditions under which occupational schemes may be recognized for this purpose.
Price 5d and 3d respectively. *November 13th, 1959.*

The Transfer of Functions (Crown Estate Commissioners) Order, 1959

(S.I. 1959 No. 1969)

This Order in Council, made under the Ministers of the Crown (Transfer of Functions) Act, 1946, transfers to the Chancellor of the Exchequer the functions of the Lord Privy Seal in relation to the Crown Estate Commissioners.
Price 2d net. *November 27th, 1959.*

The Tithe Redemption Commission (Transfer of Functions and Dissolution) Order, 1959

(S.I. 1959 No. 1971)

This Order provides for the transfer of the functions of the Tithe Redemption Commission to the Commissioners of Inland Revenue, and for the dissolution of the Tithe Redemption Commission.
Price 3d net. *April 1st, 1960.*

The Tithe (Amendment) Rules, 1959

(S.I. 1959 No. 1984 (L.14))

These Rules amend the Tithe Rules, 1937, in consequence of the coming into operation of the Finance Act, 1958, Section 38, which makes redemption annuities payable in one yearly sum instead of by half-yearly instalments, and the Tithe Redemption Commission (Transfer of Functions and Dissolution) Order, 1959 (S.I. 1959/1971), which transfers the functions of the Commission to the Commissioners of Inland Revenue. The Rules also make a number of minor improvements in the Rules of 1937 and delete various obsolete provisions and forms from those Rules and the Tithe Rentcharge Recovery Rules, 1891. In particular, it will no longer be necessary to join the occupier of the land as a respondent to an application for the recovery of annuities by the appointment of a receiver.
Price 5d net. *January 1st, 1960.*

Notes and Notices

THE ACCOUNTANT
Index to Vol. CXLI: July-December 1959

The general index to this volume – July to December 1959, Vol. CXLI – will be published with the issue dated January 9th, 1960.

The parts of this volume should therefore not be sent for binding until the index has been added.

PERSONAL

MESSRS SHIPLEY, BLACKBURN, SUTTON & CO, Chartered Accountants, announce that Mr C. A. SANDON, A.C.A., who formerly carried on practice at 1A Sloane Court East, London, SW3, has joined them as a partner. The firm will continue under the same name.

MESSRS BROADS, PATERSON & CO, Chartered Accountants, of Garrard House, 31–45 Gresham Street, London, EC2, announce with the deepest regret the death on December 14th of their senior partner, Mr ROBERT STANLEY PATERSON, M.A., F.C.A. Mr PATERSON died in his eighty-seventh year, having been a partner in the firm since 1904.

MESSRS BERTRAM KIDSON & CO, of 17 Waterloo Road, Wolverhampton, regret to announce the death on December 11th of Mr BERTRAM KIDSON, F.C.A., senior partner and founder of the firm.

PROFESSIONAL NOTE

Mr B. S. Murray, A.C.A., has been appointed an assistant managing director of Chambers Wharf & Cold Stores Ltd as from January 1st, 1960.

HOUSING STATISTICS

The tenth annual return of housing statistics for 1958–59, published by The Institute of Municipal Treasurers and Accountants[1], gives comprehensive figures for all the county boroughs, the metropolitan boroughs (including the City of London) together with the London County Council, 262 non-county boroughs, 412 urban districts and 350 rural districts. Analyses shown include income and expenditure of housing revenue accounts, dwellings owned by local authorities and details of rents and rebate schemes.

In a summary giving the average capital cost of houses completed and the average net rents charged at March 31st, 1959, the lowest total cost of two-bedroom houses is shown as £1,030 and the highest as £2,000, with rents ranging from 9*s* 11*d* to 54*s* a week. For three-bedroom houses rents ranged from 12*s* 2*d* to 60*s*.

[1] *Housing Statistics, 1958–59*. The Institute of Municipal Treasurers and Accountants (Incorporated), 1 Buckingham Place, London, SW1. 15*s* post free.

IN PARLIAMENT
Estate Duty

Sir J. DUNCAN asked the Chancellor of the Exchequer if he will publish in the *Official Report* a table showing what were the respective contributions to the Estate Duty receipts in 1958–59 provided by the range of estates set out in Table 107 of the latest Report of Her Majesty's Commissioners of Inland Revenue.

Sir E. BOYLE: Particulars of the duty paid by each range of estate set out in Table 107 are not kept. Some of the figures shown below are therefore estimates.

Range of Estate	Rate of Duty	Duty Paid in 1958–59
£,000	per cent	£m.
3–4 ..	1	1
4–5 ..	2	1
5–7½ ..	3	3
7½–10 ..	4	3
10–12½ ..	6	3
12½–15 ..	8	3
15–17½ ..	10	4
17½–20 ..	12	4
20–25 ..	15	8
25–30 ..	18	7
30–35 ..	21	7
35–40 ..	24	7
40–45 ..	28	6
45–50 ..	31	6
50–60 ..	35	11
60–75 ..	40	13
75–100 ..	45	17
100–150 ..	50	21
150–200 ..	55	12
200–250 ..	60	9
250–300 ..	60	5
300–500 ..	65	13
500–750 ..	70	6
750–1,000 ..	75	5
1,000–2,000 ..	80	6
2,000 and over	80	6
All ranges ..	Total ..	187

Hansard, Dec. 8th, 1959. Written Answers. Col. 26.

Shipping Industry: Assistance

MR SHINWELL asked the Chancellor of the Exchequer whether he is aware that the allowances provided in previous Budgets to British shipping interests have proved insufficient to place British shipping in a

favourable competitive position vis-à-vis the mercantile marine of other nations; and what further financial assistance to the industry he contemplates.

SIR E. BOYLE: The tax allowances referred to are, of course, only one factor affecting the competitive position of British shipping, and my right hon. friend believes them to have been of great assistance. As to the second part of the Question, I have no statement to make. I can, however, assure the right hon. Member that the Government are well aware of the general difficulties of the shipping industry and are watching the position closely.

[*Hansard*, Nov. 26th, 1959. Oral Answers. Col. 550.

PATENTS AND INCOME TAX

The explanatory notes issued by the Board of Inland Revenue relating to patents and income tax have now been revised. The notes explain the main features of the income tax law and practice with regard to (*a*) allowances in respect of expenditure on patent rights, and (*b*) the taxation of sums received in respect of such rights. Copies of the notes are available from local tax offices on request.

CENSUS OF PRODUCTION FOR 1959

As already announced,[1] the Census of Production to be taken in 1960 for the year 1959 will be the first of a series of simple annual censuses for the years between the detailed census for 1958 and the next detailed census. An order prescribing the matters about which returns may be required has now been made by the Board of Trade.[2] Undertakings producing coal, gas, electricity, oil-shale, crude or refined petroleum or shale oil products are exempted from making census of production returns. (Information corresponding to that collected in the census will be obtained from these undertakings by the Ministry of Power.)

The 1960 Census

The Census of Production to be taken in 1961 for the year 1960 will be similar to the previous census except that sampling methods will be employed. This decision has been made after consultation with the Census of Production Advisory Committee. The questions asked will be similar to those for 1959, covering: (1) total value of goods sold and work done; (2) stocks; and (3) capital expenditure. A separate figure for the total value of stocks held outside the United Kingdom will not, however, be required for 1960.

[1] See *The Accountant*, January 10th, 1959.

[2] Census of Production (1960) (Returns and Exempted Persons) Order, 1959. (S.I. 1959, No. 1858). H.M.S.O., 3*d*, by post 5*d*.

RETURN ON CAPITAL

Half-day Conference in London

The use of the 'return on capital' ratio in judging the general success of a business will form the subject of a half-day conference to be held by the Centre for Interfirm Comparison in association with The British Institute of Management on Wednesday, January 6th, at the Recital Room, Royal Festival Hall, London.

Professor F. Sewell Bray, F.C.A., will open the conference at 9.30 a.m. and the speakers will include Dr T. Barna (National Institute of Economic and Social Research), Mr H. W. G. Kendall (British

BEDS, BUCKS AND HERTS BRANCH. A luncheon to mark the inauguration of the Beds, Bucks and Herts Group as a branch of the London and District Society of Chartered Accountants was recently held in Luton. In this photograph, Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute, is standing third from the left, followed by Mr T. R. Keens, F.C.A., Branch Chairman, Mr J. D. Russell, M.A., F.C.A., Chairman of the District Society, and Mr E. John Frary, F.C.A., Hon. Secretary of the Branch. The occasion was reported in last week's issue.

Federation of Master Printers) and Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S. A general discussion will commence at 11.45 a.m. and the conference will conclude with luncheon at 1 p.m.

Applications to attend the conference should be addressed to The British Institute of Management, Management House, 80 Fetter Lane, London, EC4.

THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

'The Industrial Development (Encouragement of External Investment) Act, 1958', was the subject of an address given at a meeting of The Dublin Society of Chartered Accountants on December 16th. Further meetings to be held by the Society in the new year are as follows:

January 6th: 'Staff selection, assessment and supervision techniques', by Mr Harold F. Lock, Personnel Advisor, The Rank Organization. (*Industrial and Administrative Group.*)

January 20th: Luncheon meeting. Speaker: Mr J. Lynch, Minister for Industry and Commerce – 'Ireland's future industrial programme'.

February 4th: 'The Finance Act, 1958, in relation to Pension Schemes', by Mr Patrick Moore, A.C.I.I., Pensions Superintendent, Dublin Branch, Friends Provident and Century Life Office.

February 16th: 'Advertising campaigns and costs', by Mr John W. Tate, Arks Ltd. (*Industrial and Administrative Group.*)

February 26th: Annual dance, *The Gresham Hotel.*

March 8th: 'Local government auditors and accountants', by Mr J. G. McLaughlin, A.C.A.

March 29th: 'Information for management', by Mr W. L. McClelland, A.C.A.

May 6th: Annual dinner. (*Industrial and Administrative Group.*)

May 7th: Institute's annual general meeting.

May 28th–30th: Institute's golf meeting – Rosses Point.

Students' Group

The following meetings are among those which have been arranged by the Students' Group;

January 14th: 'International finance and trade organizations', by Mr Brendan Menton.

January 28th: 'Bankruptcy', by Mr Desmond Collins.

February 13th: Rugby match *v.* London Society. (*Away.*)

February 25th: 'Economics and politics', by Mr Patrick Lynch.

THE INSTITUTE OF INTERNAL AUDITORS

Newcastle Chapter

The next meeting of the Newcastle upon Tyne Chapter of the Institute of Internal Auditors will be held on Thursday, January 7th, at 7 p.m. in the County Hall, Newcastle. The speaker will be Mr R. W. Mann, chairman of the Tyneside Productivity Council, and managing director of Victor Products Ltd, whose topic will be 'Managerial views on automation'.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

Games have been organized for members and articled clerks during the 1959–60 season against: Oxfor University Occasionals, Inland Revenue, Insuranc Hockey Association, and the Bank of England.

Articled clerks' matches have been arranged against Birmingham Students' Society, Nottingham Students Society, London School of Economics, Londo University, and Solicitors' Articled Clerks.

Hockey players who are interested in taking part i these games are asked to communicate with Mr C. O Merriman, A.C.A., the hon. secretary, at 3 Frederick' Place, London, EC2.

SENIOR RESIDENTIAL COURSES

'Measurements for management' is one of a series o comprehensive residential courses for senior executive arranged by the Sundridge Park Management Centr throughout 1960. Each course – which is repeated fiv times – will stress the need for measurements in th field of management and will show how such measure ments can be made in the major aspects of accounting production and personnel. The inclusive fee for th course is £150. Further information regarding thi and other courses may be obtained from the Directo Sundridge Park Management Centre, Bromley, Ken

ECONOMIC CONDITIONS OVERSEAS

Three new booklets in the series dealing with economi conditions in member and associated countries of th Organization for European Economic Co-operatio now published, contain comprehensive analyses c economic conditions in the United States, Switzerlan and Sweden over an eighteen-month period up to th middle of 1959. The booklets are available fro H.M. Stationery Office, price 2*s* 6*d* each.

CROSSWORD SOLUTION

The solution to the 'Crossword for Christmas', com piled by Mr Kenneth Trickett, A.C.A., which appeare in last week's issue, is as follows:

A		S		F		S	P	E	C	I	A	L	T	Y
C	O	U	P	O	N		F		I		C		H	
T		S		L		T	E	S	T	A	T	R	I	X
U	N	P	A	I	D		N		Y		I		R	
A		E		O			N			C	O	S	T	S
R	I	N	G		W	R	I	T	E		N		Y	
I		D			A		G		V			S		S
E	X	E	C	U	T	E		B	E	Q	U	E	S	T
S		D			E		I		N			V		A
	R		S		R	E	M	I	T		Y	E	S	T
S	E	V	E	N			P			S		R		U
	T		T		T		R		T	E	N	A	N	T
A	U	C	T	I	O	N	E	D		W		L		O
	R		L		R		S		D	E	A	L	E	R
I	N	T	E	S	T	A	T	E		R		Y		Y